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SOUTH KOREA
The past hinders Japanese overtures
Page 4

World News

UK ministers embarrassed by report on Gulf war

The British government faced acute embarrassment after the disclosure of an internal armed services report strongly criticising interference by ministers in the conduct of Britain's role in the Gulf campaign a year ago. Page 16; Irritant to Bush, page 4

EC recognises Croatia
The European Community sealed the formal end of the Yugoslav federation by recognising Croatia and Slovenia as independent states. But it put off extending recognition to the other breakaway republics. Page 18; Editorial Comment, page 14

US spy jet missing
A US Air Force U-2 reconnaissance jet was missing and presumed lost with its pilot off the coast of South Korea. But there was no evidence of hostile action against the aircraft, the Defence Department said.

Coke goes Russian

Coca-Cola, the leading US soft drinks company, will today announce in Moscow the formation of Coca-Cola Refreshments-Moscow. It claims this is the first private sector joint stock company in Russia to be majority controlled by a US multinational corporation. Page 2; The ascent of Everest, page 10

Mideast stalemate
Middle East peace talks appeared deadlocked after Israeli and Palestinian negotiators clashed over the issue of Israeli settlements in the occupied territories of the West Bank and Gaza. Page 4

Supergun claim
British and US officials were told about the military uses of the Iraqi supergun project before parts were delivered to Saddam Hussein's regime, a House of Commons committee was told. Page 7

Asylum plea rejected
The US Supreme Court ruled that a jailed Irish Republican Army fugitive Joseph Patrick Doherty, convicted of murdering a British soldier, cannot seek US political asylum.

Computer experts jailed
Two French computer experts who stole six computer disks controlling the daily transfer of millions of pounds from Barclays International bank's headquarters in London were each jailed for four years.

Greek verdict today
Former Greek socialist prime minister Andreas Papandreou, accused of corruption, will not be in court today when a 13-member tribunal delivers a verdict. Page 3

Clash on youth jobs
Britain seems headed for another clash on social policy with its European Community partners after the Brussels Commission proposed EC-wide work restrictions for people under 18 years old. Page 2

Gallery exhibit smashed
Neo-Nazis smashed a satirical bust of their leader, Eugene Terreblanche, in South Africa's national art gallery and threatened to blow up the Cape Town building if it exhibited similar caricatures again. Six people were arrested.

Bringing the house down
Part of the foyer ceiling and a chandelier crashed down at the Rome opera house during a performance of The Barber of Seville. Nobody was hurt.

Business Summary

US dollar maintains its rise against the D-Mark

The US dollar continued its climb on foreign exchange markets, rising four pfennigs against the D-Mark in hectic morning trading in London and holding on to most of the gains through the afternoon.

At the London close, the dollar was up more than 3 pfennigs against the German currency at DM1.622. Sterling lost more than 3½ cents against the dollar, finishing at $1.756. Currencies, Page 34; Lex, Page 16; Investors brush aside gloom, Page 6

WEST GERMANY'S economic growth rate slowed to a real 3.2 per cent last year under the impact of unification and recession in export markets. Page 16

AIRBUS INDUSTRIE: A row over subsidies to the European aircraft consortium is set to intensify after a confidential report by a General Agreement on Tariffs and Trade panel condemning German exchange rate support for Deutsche Airbus, the consortium's German partner. Page 16

ASDA, struggling UK supermarket chain, reported an interim pre-tax loss of £58.8m after falling operating profits, a mounting interest bill and a string of exceptional charges. Page 17; Lex, Page 16

CHINA took another step towards a western-style capital market when the Shanghai Stock Exchange announced the first public offering to foreign investors of shares in a Chinese company. Page 15

ISRAEL'S inflation rate for 1991 was 18 per cent, less than feared at mid-year after a collapse in house prices in the last quarter. Page 4

FORD and General Motors announced record sales in western Europe for 1991, helping to offset sharply deteriorating market performances and heavy losses in north America. Page 18; GM joint venture in China, Page 6

HENKEL, German chemicals and consumer goods maker, increased sales last year by about 8 per cent, but net profits are expected to be about the same as 1990's DM429m ($271m). Page 18

BRITISH GAS will not have to undergo a far-reaching investigation by the UK Monopolies and Mergers Commission after the government intervened in the row between the company and its regulator. Page 16 and Lex

OLIVETTI, lossmaking Italian computers and office equipment group, disclosed a decline in 1991 sales of about 5 per cent to L8,600bn ($7.17bn). Page 18

PORSCHE, German sports car manufacturer, has cut its dividend after a steep slide in profits caused by recession-hit foreign markets and high provisions for job cuts. Page 18

FRANCE'S inflation rate fell to a provisional 3.1 per cent last year, the first time in two decades it has sunk below the rate in western Germany. Page 2

INDIAN industry is in a sharp recession with manufacturing output declining 1.9 per cent in the first half of 1991, and little indication of any improvement. Page 4

AMERICAN AIRLINES, one of the largest US carriers, prompted a rally in US airline stocks when its parent company, AMR, suggested ticket prices were firming despite the company's $239.9m net loss in 1991. Page 20

FIRST LEISURE, discothèque and tourist attractions group chaired by Lord Delfont, announced pre-tax profits up 4 per cent to £30.4m after what it called the most difficult year since the company was founded in 1983. Page 24; Lex, Page 16

Bush promises wide-scale health care reform

By Lionel Barber in Exeter, New Hampshire

PRESIDENT George Bush hit the campaign trail in New Hampshire yesterday with a pledge that his State of the Union address to the US Congress later this month would include details of a comprehensive plan to reform health care.

Mr Bush, seeking to reverse the slump in his popularity, said the plan would be part of a growth package to revive the US economy, but he vowed to avoid "quick fix solutions" and focus instead on long-term measures to promote investment. "Stay tuned," said the president during his whirlwind one-day trip to the state where he faces a critical first primary election test on February 18.

Mr Bush had hoped to defer unveiling proposals for health care reform until after the November election, but the Democrats have turned it into a big campaign issue.

Mr Bush has been wounded by criticism that he is paying too much attention to foreign affairs and not enough to problems at home, such as the 35m Americans who have no health insurance.

Without offering details of his plan, Mr Bush said it would not lead to increased federal spending on health care entitlement but would "bring protection" to Americans without insurance. One option believed to be under review is a health care tax credit for lower income groups, with a means test applied to wealthier Americans.

Mr Bush manfully tried to respond to his critics yesterday, casting himself as a man of the people and not the patrician portrayed by Mr Patrick Buchanan, his Republican opponent in the New Hampshire primary.

Mr Buchanan, a former speech-writer to presidents Nixon and Reagan, is a right-wing pugilist who seems to be drawing support in this fiscally conservative state. During his face-to-face meetings with voters yesterday, Mr Bush ate plenty of humble pie as he heard criticism about his handling of the economy. Although he stressed that interest rates were low and said this would boost the economy, he admitted he had made mistakes in forecasting an early turnround.

"I will accept the blame," he said, though quickly adding that 49 out of 50 blue-chip economists had also made the same mistake last year.

The economic downturn has left New Hampshire as one of the hardest-hit states in the union. More than 50,000 jobs have been lost over the past three years, virtually tripling the unemployment rate. Five of the top banks have failed, corporate bankruptcies have soared and property prices are barely two-thirds of their value in 1988, when the state was booming.

Mr Bush started the day at Pease air force base, which is scheduled for closure with the loss of more than 3,000 jobs.
Continued on Page 16

Bush's Gulf irritant, Page 4

Economic programme is in jeopardy, adviser warns

Power battle 'may destroy' Russian reform plans

By John Lloyd in Moscow

RUSSIAN economic reform could be destroyed "within weeks" if the power struggle within the Russian leadership is not resolved in favour of the cabinet of ministers, the chief foreign adviser to that cabinet said yesterday.

Professor Jeffrey Sachs of the US, who works closely with Mr Yegor Gaidar, deputy prime minister in charge of economic reform, said in an interview that "it is fair to say that there is a power struggle, and on it depends the success of the reform programme".

He blamed the Russian central bank's credit policies for the disastrous state of Russian finances and said the bank had refused government and International Monetary Fund officials access to its books.

"The West must understand what is happening. If the struggle is not resolved in favour of a tight monetary policy, then the programme is in jeopardy. The issue is very urgent – it is a matter of a few weeks," he said.

Prof Sachs was speaking against a background of rising opposition to the price and other reforms which began with the new year. Mr Ruslan Khasbulatov, chairman of the Russian parliament, has called for the government to resign and for President Boris Yeltsin to "stand aside" as head of the cabinet of ministers in order to safeguard his presidency.

At the same time, Mr Georgy Matiukhin, chairman of the central bank, has strongly criticised the western advisers, including Prof Sachs.

Prof Sachs said that "the Bank has not merely been a passive player in issuing credit to cover the budget deficit. Over the past year it issued hundreds of billions worth of credits to commercial banks and enterprises at an interest rate of 6 per cent – an absurd rate at a time of high inflation ... Even now it has no policy on credit for this year".

The west had so far barely supported the "courageous actions" of the Russian government. Prof Sachs said next week's conference in Washington on humanitarian aid to the Commonwealth of Independent States must be expanded to include urgent consideration of structural assistance.

"I estimate that the west must give between $15bn and $20bn this year – $5bn in humanitarian aid, $6bn to support the balance of payments and $5bn as a stabilisation fund for rouble convertibility."

The proposed agenda for the conference failed to take account of the economic realities in Russia. "In the past year governments and banks pulled
Continued on Page 16

Taxi drivers gather in St Petersburg yesterday to protest at fare increases imposed by the Russian government

Lloyd's launches reform proposals as losses mount

By Richard Lapper in London

LLOYD'S of London yesterday unveiled one of the most far-reaching reform programmes in its 300 year history which could sharply reduce the importance of unlimited liability on which the insurance market is built.

The reforms come as Lloyd's faces some of its worst ever trading losses – an estimated £2bn-plus ($3.6bn) in the three years to 1990.

However, the proposals, drafted over the past year by a 14-strong task force, contain little to relieve the position of those "Names" who have borne the brunt of the market's losses. The Names are the individuals whose wealth provides the market's capital.

The Lloyd's Council, the market's governing body, has accepted the bulk of the report's recommendations and will act quickly to implement a number of the task force's recommendations.

The first of the reforms, modifying unlimited liability rules, is expected to be introduced next January. This would cap the losses for which Names, who can be personally bankrupted under the present system, are liable.

Names will be personally liable for all losses over a four-year period up to an amount equivalent to their overall premium limit, the amount of premiums they are allowed to accept under Lloyd's rules.

A Name accepting £500,000 in premiums, for example, would be liable to pay insurance losses up to this amount. Losses above the individual's limit would be payable from a central fund financed by contributions from all Names. However, if this fund were to be exhausted, liability would revert to the individual.

The task force believes this could make Lloyd's a more attractive investment for new Names and help stem the decline in Lloyd's membership that has taken place over the past few years.

Over 4,000 Names have left Lloyd's in the last 12 months, reducing membership to about 22,500 and cutting £1bn from the market's capital base.

Apart from the unlimited liability changes, other proposals include:

- The introduction of a system allowing less well-off Names to spread their investments more widely, diversifying their risks.
- Measures to increase Lloyd's ability to draw corporate capital into the market. The task force suggests that Lloyd's should press for legislative changes to allow "corporate names" to underwrite at Lloyd's.
- A charter of rights for Names giving them the ability to hold regular meetings of the syndicates in which they are grouped, direct access to syndicate information and the right to veto major transactions.

Mr Mark Farrer, the chairman of the Association of Lloyd's Members, which represents 9,000 Lloyd's Names, said "the proposals go a long way towards correcting the imbalance between Names and syndicate management. They are a blueprint for genuine change and progress"

Mr Tom Benyon, of the rival Society of Names, complained that the report had done "nothing to help" the badly hit Names.

Background, Pages 8 and 9; Editorial comment, Page 14

Talks between AT&T and Cable & Wireless falter

By Hugo Dixon in London

THE PROSPECTS of a global alliance between AT&T and Cable & Wireless have receded following the failure of negotiators from the US and UK telecommunications groups to make progress in talks last week.

But executives remain hopeful that a deal at least involving the US telecommunications giant taking a minority stake in Mercury Communications, C&W's UK subsidiary, can still be concluded.

One reason a deal has yet to be finalised is that AT&T is concerned that UK telecommunications regulations may change if the Labour party, currently in opposition, wins the general election. It is understood to be considering postponing any action until after the election.

Another issue is that it has not been possible to agree whether an alliance between the two groups should cover only Mercury, the whole of Europe or markets in other parts of the world. C&W wants a wider agreement than just the UK.

Expectations in the City that a deal is imminent – which have driven C&W's share price to a record closing high of 625p last night – seem unlikely to be fulfilled. But executives believe it is possible talks could begin again in the next few weeks.

The central element of any deal would be the acquisition of part of Mercury – perhaps a quarter to a third for around £1bn ($1.79bn) – by AT&T. The US group would also agree to invest in Mercury to build it up into a more formidable competitor for BT, formerly British Telecom.

One of the main attractions to AT&T of any deal would be the prospect of being able to operate a telephone service on both sides of the Atlantic, instead of having to hand over most of its UK calls to BT in the mid-Atlantic.

However, such a move would probably be viewed as threatening by BT, which earns more than £100m in annual profits on transatlantic calls. BT might therefore feel it had to respond by linking up with one of AT&T's main rivals in the US such as MCI so that it could also operate on both sides of the ocean.

The negotiations between AT&T and C&W, which have been taking place in the US and the UK since last September, have been complicated by regulatory considerations.

The UK government still holds a "golden share" in C&W preventing any single shareholder owning more than 15 per cent of the company.

Many of C&W's franchises around the world – which include Hong Kong – could also be reviewed if ownership of the parent company was to change hands.

C&W intends to form an alliance with AT&T or another international telecommunications group in the near future, although it does not wish to lose its independence.

CONTENTS

Turkey struggles to keep the Kurdish genie under control

Suleyman Demirel, now in his seventh spell as prime minister of Turkey, must seek a way of bringing peace to the country's Kurdish region, but it will require a steady nerve to keep the issue at the centre of his political programme. Page 3

MARKETS

STERLING
New York lunchtime:
$1.7585
London:
$1.756 (1.7915)
DM2.8475 (2.85)
FFr9.715 (9.72)
SFr2.5325 (2.5275)
Y225.5 (227.25)
£ Index 88.9 (90.4)

GOLD
New York Comex Feb
$354.7 (355.2)
London:
$354.55 (353.9)

N SEA OIL (Argus)
Brent 15-day
$17.90 (17.675)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.6243
FFr5.546
SFr1.44575
Y128.655
London:
DM1.622 (1.5905)
FFr5.5325 (5.425)
SFr1.4425 (1.4115)
Y128.4 (126.8)
$ Index 63.4 (62.0)

US lunchtime rates
Fed Funds: $3\frac{11}{16}$%
3-mo Treasury Bills:
3.922%
Long Bond:
$105\frac{5}{32}$
yield: 7.556%

STOCK INDICES
FT-SE 100:
2,537.1 (+20.8)
FT-A All-Share:
1,208.07 (+0.9%)
FT-SE Eurotrack 100:
1,140.52 (+27.85)
New York lunchtime:
DJ Ind. Av.
3,250.67 (+4.47)
S&P Comp
420.20 (−0.24)
Tokyo: Nikkei
Closed.

LONDON MONEY
3-month Interbank:
$10\frac{11}{16}$% ($10\frac{11}{16}$%)
Liffe long gilt future:
Mar $97\frac{1}{8}$ (Mar $96\frac{7}{8}$)

EUROPEAN NEWS

Secret talks on dividing Bosnia revived in Zagreb

By Judy Dempsey in Zagreb

THE governments of Serbia and Croatia have revived secret negotiations aimed at dividing up the ethnically-mixed republic of Bosnia-Hercegovina, Bosnian officials said yesterday. They warned that any such attempt would lead to terrible bloodshed.

Mr Haric Silajcic, Bosnia-Hercegovina's foreign minister, said Mr Nikolai Koljevic, a prominent member of Bosnia's Serbian Democratic Party, had held informal talks with President Franjo Tudjman of Croatia in Zagreb on Tuesday.

"The two extreme wings of Croats and Serbs in Bosnia, which are supported by Mr Tudjman and Mr Slobodan Milosevic [Serbia's president] respectively, are trying to carve up our republic," explained Mr Silajcic.

Mr Rusmir Mahmutcehajic, Bosnia's deputy prime minister, said Mr Tudjman wanted to revive the districts of 1939 when Croatia included parts of western Hercegovina.

Any agreed break-up between Zagreb and Belgrade would give Serbia the opportunity to link the self-proclaimed Serb-inhabited republic of Krajina, in south-western Croatia, with Serbia.

Both ministers said the negotiations, first started between the two presidents in March 1991, had been revived to try to shore up the flagging support of the Croat and Serb presidents. Nationalists on both sides have become disillusioned because Serbia has failed to quash Croatia's independence bid, while a third of Croatia's territory is still under the control of Serb militants and the army.

Bosnia-Hercegovina's 4.3m population is divided between Moslems (44 per cent), Serbs (33 per cent) and Croats (17 per cent). The militant Serbs, led by Mr Radovan Karadzic, a Milosevic ally, could rely on the army – under the control of Serb nationalist General Vladimir Vukovic – in the event of a break-up of the republic.

Mr Alija Izetbegovic, the republic's president, flew yesterday to Paris with Mr Silajcic for urgent talks with President François Mitterrand on Bosnia's internal problems. Before leaving, he said: "Bosnia-Hercegovina could not be divided."

Music to the ears: Croatian soldiers in Sunja yesterday, celebrating the recognition of their republic with folk songs

Court threat to bank secrecy

By Simon Gray in Luxembourg

LUXEMBOURG bankers have breached the Grand Duchy's strict banking secrecy legislation to avoid infringing laws aimed at preventing the laundering of drug profits, according to the defendant in a money-laundering trial.

Lawyers believe the allegations by Mr Franklin Jurado, a Colombian accused of recycling cocaine proceeds on behalf of the Cali drug cartel, could undermine Luxembourg's hard-won reputation as a centre for private banking.

That reputation, partly founded on the country's tradition of banking secrecy, was shaken last year when the Luxembourg-registered Bank of Credit and Commerce International (BCCI) collapsed following the discovery of massive fraud.

Mr Jurado claims a number of Luxembourg banks contacted investigators to voice their suspicions about his transactions. He has lodged a complaint because under Luxembourg law banking secrecy can be lifted only once an investigation has begun.

In the course of Mr Jurado's trial, an official of Credit Lyonnais, the French bank, has admitted that he and members of the bank's audit department met Luxembourg authorities in December 1989 to discuss their client's activities. Mr Pierre Kohnen, the investigating officer, told the court that "between seven and nine" Luxembourg banks volunteered information on Mr Jurado's transactions, and said bankers often contacted detectives about suspicious funds or transactions.

The allegations may arise partly from confusion about Luxembourg bankers' legal rights and obligations. Legislation was introduced in July 1989 which obliges banks to refuse suspect business.

Poland's deficit battle

By Christopher Bobinski in Warsaw

POLAND'S economic situation was much worse than he expected before taking office Mr Jan Olszewski, the Polish prime minister, said yesterday. Appealing to parliament's upper chamber to pass the first quarter budget provisions, the newly-appointed leader added: "Maybe I wouldn't have taken on this responsibility if I had known what I know now."

Speaking on the eve of a threatened one-day protest strike by members of the former communist trade unions, Mr Olszewski warned that even after cuts aimed at reducing the deficit target to Zl 17,600bn (£890m) the real budget out-turn could be overwhelmed by the volume of overdue 1991 payments. These could add another Zl 20,000bn.

In an attempt to bring the deficit under control the government has cut energy subsidies and reduced unemployment pay, setting off a wave of labour unrest.

Banks warn of interruptions in payments on former Soviet debt

By David Waller in Frankfurt

THE banks responsible for servicing the former Soviet Union's debts have told western bankers to expect "temporary interruptions" in the prompt payment of interest and repayment of principal in the months ahead.

At a meeting held in Frankfurt on Tuesday, representatives of the Vnesheconombank and the Russia central bank explained that despite the likelihood of payment difficulties they had every intention of bringing all payments up to date as soon as the necessary funds were available.

The news was not as bad as some bankers had expected following remarks last week by Mr Georgy Matiukhin, chairman of the Russian central bank. He said then that Russia would be seeking a full deferral of interest payments at yesterday's meeting.

This would have meant a serious breach of two separate agreements between the former Soviet Union and its sovereign and commercial creditors in the west.

On December 17, creditor banks meeting in Frankfurt agreed to an arrangement whereby Vnesheconombank would defer repayments of principal on certain types of commercial debt for three months while continuing to pay interest.

On January 4, representatives of 17 countries meeting in Paris agreed to a year's rollover of repayments of principal on $3.2bn of sovereign debt.

According to the statement from Deutsche Bank, which is co-ordinating the talks on behalf of western creditors, Vnesheconombank emphasised on Tuesday that it was not unilaterally suspending interest payments and was therefore not formally abrogating its agreements with creditors.

However one German banker said the news meant there had been a significant deterioration in the former Soviet Union's ability to pay interest in the short time since the original agreements were concluded. "As yet it is unclear when they will stop paying and how much they won't be able to pay," he said.

Vnesheconombank said new procedures to garner hard currency funds to service foreign debt had not yet come into full effect.

The former Soviet Union had liquidity problems, the bank added.

According to the Deutsche Bank statement, the committee was informed that "until the new measures were fully operational there may be temporary interruptions in the timely payment of interest" and certain other categories of debt.

The statement said that Vnesheconombank's role as debt manager for the former Soviet Union would not be affected by the transfer of the bank's commercial activities to various Russian banks under a decree passed by the Russian parliament this week.

Mr Matiukhin, the Russian central bank chairman, said yesterday there was no agreement between the republics on sharing the estimated $84bn Soviet debt between them and that calculations about individual shares were "very difficult, almost impossible".

UK set for new social policy clash

By David Buchan in Strasbourg

BRITAIN last night seemed headed for another clash on social policy with its European Community partners after the Brussels Commission proposed EC-wide work restrictions for people under 18 years old.

The draft directive, which Brussels proposes should be adopted by a majority among EC governments, would bar children under 15 from most regular work, except for instance in entertainment or delivering newspapers. For those under 18 it would ban overtime and most night work.

But Europe's teenagers will still be able to undertake certain types of light or irregular work, including work at harvest time and night work in restaurants and bakeries.

EC officials said the main impact would be felt in southern European countries and Britain, which in 1989 repealed certain work restrictions for 16-18-year-olds, including some provisions of International Labour Organisation conventions that the UK had earlier signed.

UK officials said the main problem for Britain would be the working time restrictions for youths of 16 years and older, who, since the 1989 UK Employment Act, were treated as adults, while the Commission plan went wider than current legislation in protecting minors from physically risky work.

● Brussels yesterday proposed measures to try to stop art thieves and smugglers exploiting the planned abolition of internal EC border checks by the end of this year.

The proposal would create a common export licence for designated national treasures leaving the Community, and a system allowing one EC state to recover stolen art works from another.

The draft directive will not secure the return to Greece of the marble friezes taken by Lord Elgin from the Parthenon in the 19th century and now in the British Museum as it only applies after December 31 1992.

Further fall in French inflation

FRANCE'S inflation rate fell to a provisional 3.1 per cent last year, the first time in two decades it has sunk below the rate in west Germany, writes William Dawkins in Paris.

The figure compares with 3.4 per cent in 1990 and this year's 2.8 per cent target, and puts France well below the 4.5 per cent average for its nine main trade partners. The German inflation rate rose by 4.2 per cent last year, fuelled by stiff salary rises and higher tax needed to fund reunification.

The figures, released by the Insée state statistics institute, are the latest vindication of the anti-inflation policy supported by government and opposition for almost 10 years.

Spain hits target

Spanish inflation rose just 0.1 per cent in December to bring inflation for the year to 5.5 per cent – the government's target, writes Peter Bruce in Madrid. The figure means inflation is down a full point compared with the end of 1990.

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Russia backs German nuclear plan

By Quentin Peel in Bonn

RUSSIA threw its weight yesterday behind a German plan for an international convention to prevent the export of nuclear weapons technology to third countries, backed by sanctions against any would-be future nuclear power.

Mr Andrei Kozyrev, the Russian foreign minister, gave the plan his enthusiastic support after talks with Mr Hans-Dietrich Genscher, his German counterpart.

He also issued a plea for an international programme to support continuing nuclear research in the former Soviet Union – in order to dissuade the country's scientists from selling their potentially lethal know-how to the highest bidder.

The plan was spelt out by Mr Genscher as a two-part convention to complement the Nuclear Non-Proliferation Treaty.

The first part would commit existing nuclear states to prevent the export of nuclear know-how, while the second part would provide for sanctions against any country attempting to acquire nuclear weapons technology, or produce nuclear weapons material.

He said the convention should be promoted not simply by the existing nuclear powers, including the US, Britain and France, but also non-nuclear powers such as Germany worried about the consequences of Soviet weapons technology spreading across the globe.

Mr Kozyrev also welcomed the existing international humanitarian aid programme for Russia, in which Germany is by far the leading donor.

Ukraine takes dim view of colourful coupons

By Chrystia Freeland in Kiev

FROM peers to peasants, the verdict yesterday was that with its first economic steps the government of newly independent Ukraine has fallen flat on its face.

High-powered foreign advisers and locals grumbling in shop queues agree that the January 10 introduction of coupons parallel with the faltering rouble is exacerbating inflation without the palliative effect of genuine monetary reform.

Notwithstanding their bright colours and a picture of Kiev's historic St. Sophia cathedral, the coupons are such an obvious misstep that they seem likely to provoke a radical reshuffle of the largely ex-Communist cabinet members who introduced them.

"It is an inconceivably stupid system," says Hungarian-born financier Mr George Soros, in Kiev to advise the Ukrainian government. "The dying, moribund Communist apparat is trying to introduce monetary reform, and it is an absolute disaster."

In an effort to protect the relatively well-stocked Ukrainian market from the full impact of Russian price increases, each Ukrainian resident was issued with between 200 and 400 coupons, depending on salary. Once the system is in place, at least 25 per cent of wages are to be paid in coupons, which are the only currency valid for the purchase of food and consumer goods.

In Mr Soros's view the hastily conceived system "is a machine for inflation" because the government intends to dole out fresh coupons each month without an effective system for getting them back.

Mr Soros is also critical of the one-to-one official exchange rate between the rouble and the coupon and the lack of a distinction between the two currencies in government accounts, even though coupons give priority to scarce goods.

This loophole, he said, "is an invitation to large-scale arbitrage and is responsible for the steep fall in black market rates for coupons. Initially, coupons sold for ten roubles, but now five days into the reform the street value of coupons is down to 2 to 4 roubles.

Acknowledging the failure of the rouble/coupon system, President Leonid Kravchuk announced this week that on March 1 coupons would become the only currency valid in Ukraine. Mr Soros believes this measure would make the best of a bad situation, but he thinks the government should introduce a new currency as soon as possible, preferably in March or April.

The inept introduction of coupons has provoked public protests and encouraged political attacks on the government.

Sir Geoffrey Howe, another one of Ukraine's advisers, believes that it is not just individuals but also government structures which are to blame for Ukraine's inability to implement defective reforms. He is particularly critical of the rivalry between the parliament, the president, and the cabinet ministers, which often paralyses the state.

● Ukraine has set up a new bank to pay the republic's share of the foreign debt of the former Soviet Union and handle foreign economic relations, Moscow Radio said yesterday, Reuter reports from Moscow.

The new bank will take over the activities of the Soviet foreign trade bank, Vneshekonombank, in Ukraine.

Soviet army flexes its political muscles

By Neil Buckley in Moscow

FEARS that the Soviet army may emerge as a powerful political force in the former Soviet Union increased yesterday with news that 5,000 officers and servicemen are to hold a special conference in Moscow tomorrow. The aim is to "discuss urgent problems of the state of the armed forces and ways of preserving their unity".

The collapse of the Soviet Union has left the 3.7m-strong armed forces without a clear role, facing a large reduction in size and possible break-up as individual republics attempt to establish their own armies.

There is already considerable discontent among soldiers, many of whom are living in tents and facing unemployment after being withdrawn from Europe.

This has provoked widespread fears of a military coup, or at least of the army's playing an increasingly dominant role in politics.

"Such a large gathering of generals and marshals in the country's principal conference hall officially turns the army into a powerful independent political force," the Moskovskii Komsomolets newspaper commented yesterday.

Mr Dmitry Volkogonov, a military adviser to President Boris Yeltsin and a former general, said: "The army is a very large force and the stability or otherwise of the country largely depends on it."

Coca-Cola says offshoot will be first US-owned Russian venture

By Alan Friedman in New York

COCA COLA will today announce in Moscow the formation of Coca-Cola Refreshments-Moscow (CCRM). It claims CCRM is the first private sector joint stock company in Russia that will be majority controlled by a US multinational corporation.

The new company will manufacture soft drink syrups as well as control a retail distribution network, which will begin operations in 18 months with 400 kiosks in the greater Moscow area. The ultimate target is 2,000 retail outlets.

Mr Neville Isdell, president of the Coca-Cola division that covers eastern Europe, said the significance of the Moscow company "is that for the first time we will have a fully integrated system for consumer goods, all the way through to the individual consumer."

Coca-Cola will own more than 95 per cent of the shares in CCRM. The remaining shares will be held by Professor S.N. Fyodorov, a Russian businessman.

Coca-Cola's initial capital investment of $12m (£6.7m) is small, but Mr Gavriil Popov, the mayor of Moscow, said the investment should stimulate economic activity. He said it would "attract additional international investment and would signal to others that the City of Moscow is ready to do business."

Pepsi-Cola, the second largest US soft drinks company, sells its product by licence agreement with some 40 state bottling companies. Mr Christopher Sinclair, president of Pepsi-Cola, said the company was negotiating new joint ventures in the former Soviet Union, including a resin fibre producing venture in Belarus that would manufacture plastic bottles.

The first Coca-Cola product available in the Soviet Union was Fanta Orange in 1979. Soviet state bottling companies began making Coca-Cola in 1985.

Mr Isdell said Coca-Cola would provide the new retailing force with equipment, training and management assistance.

The ascent of Everest, Page 13

Turkey struggles to control Kurdish genie

New premier Suleyman Demirel will need steady nerves in dealing with Ankara's rebellious minority, says **John Murray Brown**

"WHO are these Kurds? Why are they rebellious? What do they want?" These were the questions asked by US historian William Westermann, in the periodical Foreign Affairs, in July 1946. In today's Turkey the debate has moved on, but Mr Suleyman Demirel, now in his seventh spell as prime minister, still must seek a solution to bring peace to the country's Kurdish region.

It will require a steady nerve to keep Kurdish reform at the centre of his political programme. It will be particularly difficult to convince some hard-line colleagues in Ankara of the need for magnanimity. But no one doubts the urgency of the situation.

The habits of violence are deeply rooted in Turkey's impoverished south-east provinces. More than 3,000 people have died in the seven-year conflict between the security forces and the Kurdish Workers Party (PKK), which is fighting for a separate state. The military is conducting air and ground operations against rebel positions in the Cudi mountains near the Iraq border. No casualties have been given.

In separate clashes yesterday eight people died – six of them guerrillas, the others a policeman and a soldier.

Turkey is committed, at least legally, to some form of democratic reform as a signatory to the 1990 Paris Charter, which emerged from follow-up talks within the context of the Helsinki accord on human rights. A key part of the charter relates to the treatment of national minorities.

The problem has also acquired an added international dimension following the Gulf war and the allied relief effort to help the Iraqi Kurds. Attention has inevitably focused on the shortcomings of Turkey's treatment of its own 10m Kurds. As one Turkish official put it at the time: "The Kurdish genie is out of the bottle."

Mr Demirel is a stubborn politician and his path, will be strewn with hazards. But he may have a personal motive to push for reform; certainly there is little domestic electoral mileage in the issue. Having been twice ousted by the military, he may feel he has something to prove to secure his place in history. At 68, he will probably never get another chance.

His foreign minister, Mr Hikmet Cetin, is of Kurdish origin. So is Mr Mehmet Kahraman, who heads the newly established Ministry for Human Rights.

Indeed, the government – a coalition between Mr Demirel's True Path Party and the Social Democrats (SHP) – may come to find human-rights reform the easiest policy to implement, given mounting difficulties with the economy.

Perhaps more significant, for the first time, the Turkish parliament can provide a forum for extreme Kurdish opinion, after the election of 22 radical deputies on the SHP ticket.

Mr Demirel is aware of the danger of pressing ahead without broad party support: his argument is that it is in the interests of all Turks to support civil reforms, rolling back the authoritarian constitution inherited following the military coup of 1980. He says that Kurdish reform is inseparable from broad democratic reform.

Nevertheless, there will be fireworks in parliament. An unholy alliance opposed to reform has already emerged between conservative and left-wing nationalists.

On the other hand, Mr Demirel's programme will almost certainly fall short of the demands of Kurdish intellectuals. Even official support for the study of the language – one of the proposals of the Paris accords – remains controversial. As for devolving administrative powers to the Kurds, which some diplomats now believe is the only way to save the situation, this is not even being discussed.

What Mr Demirel does offer is legal and institutional change, to stamp out torture, cut detention periods where most police abuse occurs, and discipline the security forces, particularly the hated special forces whose job it is to take the fight to the PKK, but who have too often used this mandate to terrorise local people.

The prime minister must have been greatly heartened at the warm reception when he visited the provincial capital Diyarbakir last month, where he publicly acknowledged what he called the "Kurdish reality."

His immediate task is to keep the coalition together. His SHP partner already faces an awkward party congress this month, and the party's leader, Mr Erdal Inonu, will have to contend with outright rebellion from radical Kurdish deputies.

Short-term, the crisis can only deepen if the security situation deteriorates when guerrillas, as is probable, greet any reforms with further violence in a bid to provoke reprisals. But one thing is certain. The longer Mr Demirel waits to implement real change, the more intractable Turkey's Kurdish problem will become.

Terry Kirk

Suleyman Demirel: Path strewn with hazards

Gibraltar to re-elect nationalist leader

By Tom Burns in Gibraltar

GIBRALTAR'S 14,000 voters are today expected to overwhelmingly re-elect as chief minister Mr Joe Bossano, the nationalist politician who has steadfastly boycotted negotiations between Madrid and London over the future of Britain's disputed crown colony.

Opinion polls indicate that Mr Bossano's Gibraltar Socialist Labour Party (GSLP) could win more than 70 per cent of the votes, up from 58 per cent in 1988. The GSLP is certain to retain its eight seats in the 15-member House of Assembly, the maximum allowed under Gibraltar's electoral rules.

Mr Bossano's popularity reflects both the marked improvement in Gibraltar's infrastructure, particularly in housing and essential public services, during his four year term and his uncompromising opposition to any deal with Spain that would threaten Gibraltar's constitutional arrangements.

Mr Bossano blocked a 1987 agreement between Spain and the UK on the dual use of Gibraltar's airport, a move that subsequently excluded Gibraltar from the EC's air liberalisation process. Mr Bossano has also refused to attend bilateral talks between Spain and Britain.

His stand has tested the patience of London and Madrid and has delayed agreement on the EC's External Frontiers Convention, which governs entry points into the Community. Spain refuses to consider Gibraltar as an EC entry point unless there is agreement on the use of its airport and the UK has signalled it will not ratify the convention if Gibraltar is excluded from it.

Gibraltar has markedly reduced its dependency on the UK over the past four years. Britain's Defence Ministry, which used to account for 45 per cent of Gibraltar's revenues, now contributes around 15 per cent, and Gibraltar is busy marketing itself as a financial centre.

In an ill-tempered campaign, the main opposition party, the Gibraltar Social Democrats (GSD), accused the GSLP of a "secretive and dictatorial" style of government and claimed the population was "gagged by fear of reprisal and intimidation". Mr Bossano in turn has accused the GSD of being "soft on Spain" because it is prepared to attend talks on the future of the colony.

Opinion polls suggest that the GSD, which is identified with the colony's financial sector, looks unlikely to gain more than 25 per cent of the vote.

Verdict in Papandreou corruption case today

By Kerin Hope in Athens

MR Andreas Papandreou, the former socialist prime minister accused of corruption, will not be in court today when a 13-member tribunal delivers a verdict in what the Greeks call "the mother of trials."

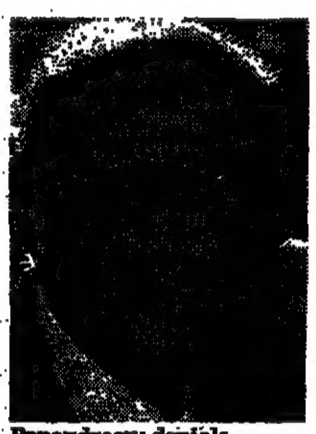
Like the rest of the nation, Mr Papandreou will watch the proceedings live on television. However, his main co-defendant, Mr Dimitris Tsovolas, the former finance minister, has threatened to barricade himself inside parliament and put up violent resistance if convicted.

According to legal analysts, there is little likelihood of Mr Papandreou being found guilty of taking a bribe and receiving the proceeds of a crime.

The bribery charge collapsed early in the 10-month-long hearing when it was revealed that a bank foreign exchange transfer of DM250,000 (£88,000), allegedly used by Mr Papandreou to cover expenses arising from his open-heart surgery in London in 1988, had no connection with the socialist leader.

The second charge, that Mr Papandreou funded his Panhellenic Socialist Movement (Pasok) with some of the $200m embezzled from the Bank of Crete by its owner, Mr George Koskotas, was based on a document rejected as a forgery by a team of graphologists.

However, a breach of faith charge against Mr Papandreou, holding him responsible for the scandalous state of public finances during his government's final days, could be upheld. Nobody in Greek political life expects the 72-year-old ex-prime minister, whose health is frail, to be jailed. But even a suspended sentence could revive the bitter political divisions of the 1980s.



Papandreou: denials

Mr Akis Tsochatzopoulos, Pasok's secretary general, yesterday ruled out the possibility of violent political confrontation if the decision goes against Mr Papandreou. He said: "Pasok will voice its reaction in parliament and in society in a constitutional way."

Some prominent conservatives now admit the rush to prosecute Mr Papandreou and three socialist former cabinet ministers was over-hasty. "After eight years of high-handed socialist rule, the conservative grass-roots were baying for revenge," said one.

Mr Papandreou's political future may be decided today. If convicted on charges he steadfastly denies, Pasok supporters will forget their criticism of his autocratic style of leadership and rally behind him. An acquittal, even for lack of evidence, would close a chapter of Greek political life, allowing a succession battle in Pasok to begin in earnest.

Baker acts to avert Mideast talks stalemate

By George Graham in Washington and Hugh Carnegy in Jerusalem

MIDDLE East peace talks appeared to be stymied yesterday after Israeli and Palestinian negotiators clashed over the issue of Israeli settlements in the occupied territories of the West Bank and Gaza.

Mr James Baker, US secretary of state, summoned the heads of the peace delegations to see him on Tuesday night and yesterday morning, but the talks seemed to be on the verge of breaking down over the contentious settlements issue.

Mr Baker's intervention was viewed as a surprising last-ditch attempt to prevent a stalemate in the simultaneous bilateral talks which Israel has been holding in Washington this week with Syrian, Lebanese, Jordanian and Palestinian delegations.

While the Arab delegations, in particular, have repeatedly tried to bring the US into the discussions, the State Department has insisted it can act only as a catalyst to the peace process and cannot get involved in issues of substance.

The peace talks had seemed to take a step forward on Monday when delegates agreed a formula which allowed Israel to hold separate meetings to discuss Jordanian and Palestinian issues, while preserving its insistence that it would deal only with a joint Jordanian-Palestinian delegation.

But after agreeing on what kind of table to sit around, the delegations have failed to make any further progress on what agenda to put on the table.

The clash in Washington has mirrored the mounting tension in the occupied territories, with the Israeli delegation condemning the violence against Israeli settlers and the Arabs attacking Israel's escalation of its settlements policy.

Dr Hanan Ashrawi, spokeswoman for the Palestinian delegation, said: "We told them that there is no way in which negotiations can proceed or succeed while Israeli settlement activity is continuing."

Retorted Mr Yossi Ben Aharon, an Israeli delegate: "Unfortunately Dr Ashrawi and her colleagues speak out of both sides of their mouths."

Washington analysts believe that both sides are so severely constrained in how much they can cede without alienating their home constituencies that the best that can be hoped for in the peace talks is, for the time being, that they should not break down altogether.

Meanwhile, settlers in the occupied territories yesterday attempted to establish four new settlements and demonstrated for tougher government action against the Palestinian uprising, in protest against a series of attacks on settlers by Palestinian gunmen in which four Israelis have been killed.

The army quickly dismantled two of the makeshift new settlements, arresting more than 20 settlers in the process, and said the other two encampments would be removed.

Falling house prices curb Israeli inflation

By Hugh Carnegy

ISRAELI inflation totalled 18 per cent in 1991, less than had been feared and only slightly up on 17.6 per cent in 1990.

The biggest single factor was the surge in housing costs, which rose 28 per cent overall as fears of an immigration-induced housing shortage drove up prices and rents.

But Russian immigrants' reluctance to take on high levels of debt to purchase property, and rising availability of new stock arising from a construction boom, abruptly reversed the trend in the last quarter, when house prices fell 4 per cent.

As a result inflation quickly fell back from annual rates approaching 25 per cent, a level which threatened government efforts to maintain economic stability in the face of large-scale immigration. Prices in the last quarter rose less than 1 per cent, against 6.8 per cent in the third quarter.

Officials are forecasting a further modest cooling in inflation this year.

But the relatively good news on prices also contains some bad news: construction was the main engine of growth last year and this has flattened as the building boom has tailed off. There are fears that unemployment, already at record levels of close to 11 per cent, will go on rising as more immigrants enter the job market.

● Bank of Israel officials said yesterday the International Monetary Fund had agreed that Israel met the criteria for a $250m (£139.6m) loan to compensate for economic losses estimated at $1bn caused by the Gulf war.

Manila agrees terms to receive IMF loans

THE Philippines yesterday agreed terms with the International Monetary Fund that should allow the resumption of a $900m (£503m) lending programme suspended last July when Manila failed to meet economic targets, writes Richard Gourlay in Manila.

Mr Jesus Estanislao, the finance secretary, said the two sides had agreed on a target for the central government's budget deficit which was the only unresolved issue from last week's IMF mission.

Resumption of the programme is still dependent on the Philippines passing tougher revenue-raising measures. Only then will the IMF give its stamp of "good housekeeping" on which a commercial bank debt rescheduling agreement and new international aid commitments depend.

These measures, including the tightening of VAT legislation, have been passed by the House of Representatives but are yet to be approved by the Senate. They may have a rocky passage there as many of the incumbents are gearing up for elections in May.

The government also has to push through with the second phase of a power price increase before the $400m remaining from the IMF facility can be drawn. The IMF agreed to allow a deficit of Pesos 9bn (£200m) this year compared to the Pesos 13bn Manila had sought and the Pesos 3.8bn the fund had targeted.

The finance ministry hopes to have received the good housekeeping stamp by the end of February.

The fund agreed the increase in order to meet additional spending demands around Mt Pinatubo, the volcano that erupted last year devastating parts of Luzon island, north of Manila.

President Corazon Aquino also yesterday vetoed Senate proposals that would have limited the percentage of export earnings going to repay foreign debt.

A year after the launch of allied bombing of Baghdad FT writers look at the war's aftermath

Incomplete Gulf victory remains irritant to Bush

By Lionel Barber, US Editor, in Washington

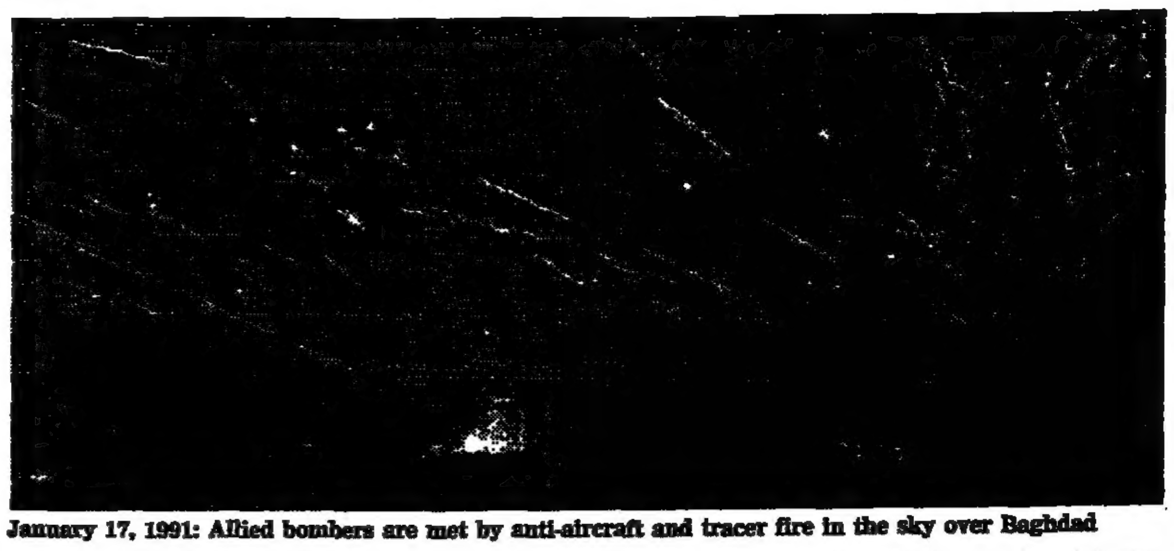
THE FIRST anniversary of Desert Storm ought to be a chance to celebrate a brilliantly executed US battle plan which crushed the bulk of the Iraqi army with minimum allied casualties. But 12 months after the bombs fell on Baghdad, it is clear that the Gulf war was an incomplete victory.

President Saddam Hussein remains in power. The Iraqi people starve. The Kurds are all but abandoned. The Iraqi opposition remains divided. President George Bush, who appeared invincible nine months ago, has watched his approval rating nosedive in the face of a recession-hit US economy, restricting his room for manoeuvre overseas.

Mr Bush does not face serious political pressure at home to remove Mr Saddam from power; but there is a nagging concern that the defiant Iraqi president (and his nuclear ambitions) amount to a time-bomb in the run-up to the November election. At some point, surely, Mr Bush must defuse the problem or risk detonation.

The trick is how to reconcile the desirable end with politically acceptable means. At present, the administration seems more inclined to pursue multilateral pressure through the United Nations rather than unilateral military action which could leave the president open to criticism that he was engaging in foreign adventures to escape difficulties at home.

Both Presidents Nixon and Johnson played politics with the Vietnam war during election years. Yet Mr Bush can put up a plausible case for preferring the use of United Nations sanctions to keep the heat on Mr Saddam, rather than renewed US military force.



January 17, 1991: Allied bombers are met by anti-aircraft and tracer fire in the sky over Baghdad

First, UN economic sanctions, while far from 100 per cent effective, create strains within the ruling regime. The frequent purges in Baghdad suggest that at the very least Mr Saddam is being kept off balance. Second, UN inspectors are slowly but surely identifying and destroying the bulk of Mr Saddam's nuclear and unconventional weapons programme. "It's a long-haul strategy," says one US official. The advantage is that the UN gives political cover for the US to ratchet up the pressure. In the coming weeks, UN inspectors may begin blowing up buildings dedicated solely or partially to the Iraqi weapons programme.

If Iraq seeks to block the inspectors, the risk of escalation is high. The Pentagon has drawn up an extensive list of military targets for air-strikes which would almost certainly be accompanied by French and British warplanes.

A second, less transparent policy option is the use of covert action against Mr Saddam. Reports in Washington suggest that Mr Bush has ordered the CIA to assist opposition groups; but US suspicions about the Shias and Turkish suspicions about the Kurds have made large-scale military aid such as the 1980s programmes to help the Angolan and Afghan rebels a non-starter. Last November, after waiting in vain for Arab predictions of Mr Saddam's imminent fall to come true, Mr Bush ordered a review of Iraq policy. The result was a clear recommendation from the Pentagon that military action in support of an opposition or Kurdish/Shia coup was undesirable unless it was supported by Desert Storm-size forces in theatre.

The impression, therefore, is that the Bush administration is content to muddle along Micawber-like, hoping that something will turn up. It is not pretty, but the alternatives all appear to be fraught with risk.

The one serious practical objection is that the UN inspectors are desperately short of money. Over the past six months, the UN teams have conducted more than 25 inspections, uncovering a welter of information about Iraq's nuclear programme and the willingness of western companies to help Baghdad.

The UN inspectors' ultimate aim is to destroy all Iraq's nuclear, chemical, and biological programmes. The cost could amount to $100m (£55.8m). The original plan was to finance inspections (and much-needed humanitarian aid) from UN-sanctioned sales of Iraqi oil, but Mr Saddam has so far refused to go to market.

And so the familiar game of cat-and-mouse is under way, with Mr Saddam calculating once again that the West will lack the patience to remain engaged. He may be right; but it is a gamble.

Vengeful Saddam keeps Arab opponents on edge

Tony Walker on the growing uncertainties afflicting the region

THE surreal spectacle of a larger-than-life Saddam Hussein pinning "mother of battles" anniversary medals on the chests of his military commanders would have brought little comfort to his jittery Arab opponents, preoccupied with developments in Algeria and their own domestic problems.

While this week's television theatre in Baghdad, marked by the Iraqi president's claims of "victory" in the Gulf war, might be dismissed as sheer bravado, the episode was nevertheless an uncomfortable reminder to his rivals that in spite of everything Mr Saddam lives on.

An Arab proverb, repeated with some nervousness in Cairo these days, holds that a snake is not dead until its head is severed from the body. This melodramatic observation usually precedes criticism of the allies for not doing more to unseat the Iraqi leader when the opportunity presented itself.

Now, a year after the US-led alliance began the assault which liberated Kuwait, the fruits of that victory in Arab eyes seem less appealing. True, Kuwait was saved and Mr Saddam was humbled, but divisions in the Arab world have scarcely been deeper and the future less certain.

Not least, concern in the capitals of Washington's moderate Arab allies stems from the dramatic erosion in Mr Bush's domestic standing, with consequent fears that a weakened administration would be less steadfast in defence of its friends abroad, and thus less capable of imposing Middle East peace.

Adding to these worries are the activities of the neo-isolationists on the Republican right-wing.

Iraq's official media, reduced to a whisper by last January's bombing campaign, now spends its days gloating about Mr Bush's misfortunes. Iraqis are bombarded with negative images of recession-hit America, implying somehow that life in Iraq, in spite of everything, is preferable.

"As we celebrate, with our heads held high, the first anniversary of the tyrannical 30-state aggression against us, Bush... was touring Asian countries looking for a solution to the economic crisis the US is suffering from," commented al Thawra, the newspaper of the ruling Ba'ath party.

While much Iraqi propaganda is ludicrous, recent visitors to Iraq have been struck by the regime's success in rebuilding the country's battered infrastructure, and restoring essential services. The authorities also appear to be making a reasonable fist of providing food rations for the needy, in spite of sanctions and the burden of rising prices; inflation of 30 per cent a month is reported.

Predictions that defeat in Kuwait would foment a revolt against Mr Saddam among Iraq's office corps – the favoured scenario of the US and its Arab allies – have not come to fruition, and as the months pass hopes of this happening diminish. The Iraqi leadership appears to have regained some of its poise and is now more visible, although reports persist of dissension in the ranks, including within Mr Saddam's immediate coterie.

The regime has also been obliged to deal with an incipient underground campaign, much like the one that was waged during the Iran-Iraq war by the outlawed al Dawaa Shia fundamentalists. At least one car-bombing – the trademark of the underground group – has been carried out in Baghdad in recent weeks.

The military, shattered by its defeat in Kuwait and further run ragged by the Kurdish and Shia revolts following the war, has been reorganised and discipline tightened under new defence minister Ali Hassan al-Majid, a cousin of Mr Saddam.

The Kurds in the north and the repressed Shia in the south would be drawing little comfort from this: Kurdish leaders have been warning for weeks that Mr Saddam will use the winter months to drive Kurdish fighters from towns south of the UN-declared safety zone.

Recent reports suggest that Iraq has been seeking to replenish its depleted arsenal and UN experts, engaged in uncovering details of the Iraqi nuclear programme, suspect that work continues on efforts to acquire a nuclear capability.

In the capitals of Arab states of the anti-Iraq alliance, officials have no doubt that a craving for revenge is never far from an isolated and weakened Mr Saddam. "When the great confrontation took place," the Iraqi president declared pointedly this week, "God decreed that victory once again must go to the Iraqis because they follow the path of truth while their enemies follow the path of falsehood."

Hyundai to close plants temporarily

By John Ridding

HYUNDAI Motors, South Korea's largest car manufacturer, announced yesterday it will temporarily close its plants in an attempt to resolve a growing industrial dispute.

The decision follows a vote by 30,000 company union members to stage a go-slow in support of claims for higher bonus payments, better working conditions and the dropping of charges against union leaders. It will further heighten the stakes in a test of strength between management and the union.

The dispute represents an important test case for Korean labour-management relations as a whole.

Industrial relations have been improving after three years of widespread dislocation and strikes following the introduction of democracy in 1987. Last year the number of strikes fell to less than 240, against 1,610 in 1989.

A spokesman for Hyundai Motors said management had no choice but to shut the plants. "The go-slow is paralysing production," he said, adding he expected the union to end the dispute quickly.

According to the spokesman, the dispute is likely to cost the company 25,000 cars, worth $150m (£83.7m), in January and may cause disruption to exports.

● A senior North Korean diplomat said yesterday his country wanted national unity through confederation with the south, with both retaining their present social systems, Reuter reports from Geneva.

Korean war-time memories sour Miyazawa mission

By John Ridding in Seoul and Robert Thomson in Tokyo

MR Kiichi Miyazawa, Japan's prime minister, plans to call for a "future-oriented partnership" with South Korea, during a visit to Seoul due to begin today. However, several issues stand in his way.

For the past few weeks the Japanese government has been confronted with claims that at least 100,000 Korean women were forced to work in Second World War military brothels, the so-called "comfort women". Tokyo had claimed this was a private enterprise and no documents existed proving a clear relationship between the military and the brothels.

However, after several documents were produced last weekend supporting the allegations, Mr Miyazawa said: "It is undeniable that the Imperial Japanese army was involved in the recruitment of these women and the management of these facilities. I wish to express my apologies and remorse to all those who underwent indescribable suffering."

But the damage had been done, with Koreans feeling insulted by Japan's reluctance to admit responsibility for its brutal occupation of the Korean peninsula.

In Seoul, the Japanese leader will also be under pressure to reduce his country's rapidly expanding bilateral trade surplus, although Mr Miyazawa would like to concentrate on broader issues.

He is scheduled to address the South Korean parliament and plans to suggest the two countries play an important role in solving regional and global problems. The prime minister will have to reassure his hosts that Japan is proceeding cautiously in its talks with North Korea, which is keen to improve economic links with Tokyo.

The bilateral trade deficit – a source of increasing concern in Seoul – has expanded greatly since the mid-1980s. In 1991, according to Korean Ministry of Trade and Industry estimates, the trade deficit with Japan widened to $8.8bn (£4.91bn), an increase from $6bn in 1990 and about 90 per cent of Korea's total trade gap.

Korean economic officials will request tariff reductions of up to 50 per cent on 16 of Korea's main export items, including textiles and footwear. Korea will also ask for sharp increases in export quotas on chemical and steel products and will demand improved access for Korean construction companies.

However, officials in Seoul are not too optimistic about prospects for their demands. "Japan has told us so many times that it will help increase Korean imports, but it never turns words into action," said one official at the Ministry of Trade and Industry in Seoul.

"They bow over to help the Americans, but they do little for us," he added.

An elderly protester pushes a riot policeman blocking her path to the Japanese embassy in Seoul yesterday

A serious obstacle to improved economic relations is the structural nature of the deficit. In particular, Korean manufacturing companies continue to depend on Japanese components, capital equipment and machinery.

At a time of industrial restructuring in Korea – undertaken in an attempt to offset the impact of rising wage costs through automation and more efficient production – the result has been a surge of imports of Japanese capital goods.

Imports of these goods are expected to see further strong growth this year. And with continued weakness in Korean exports to Japan, South Korea's trade ministry is expecting a widening of the bilateral deficit to about $10bn.

Recession in India deepens

By K K Sharma in New Delhi

INDIAN industry is in a sharp recession according to half-yearly figures released yesterday and indications are that it will continue.

Figures for the first six months of the financial year show that the decline in the manufacturing sector 1.9 per cent, while production in mining and quarrying fell 2.8 per cent.

Capital goods have been particularly badly affected and their production was down by 17 per cent.

Consumer durables were down by 11 per cent, while production of consumer goods fell less sharply by less than 1 per cent.

Quick estimates of industrial production released yesterday showed that out of 155 industries, only 85 have recorded any growth while the remaining 70 have shown a marked decline in production.

The overall fall in industrial production means economic growth is likely to fall short of the modest 3 per cent of gross domestic product forecast by the government for 1991-92.

The bad news comes when the government is preparing to present its budget next month and means that revenues from excise duties will fall short of estimates. The finance minister had promised to cut the fiscal deficit to 5 per cent of GDP. This will now be difficult unless expenditure is severely curtailed.

The recession is expected to lead to retrenchment of workers in many industries and the labour unrest that is expected to follow will exacerbate the government's difficulties.

Reports in Indian newspapers say that some senior cabinet ministers and members of the ruling Congress party are asking Mr P V Narasimha Rao, the prime minister, act by slowing down his economic reforms.

This is because they fear that the 14 per cent inflation rate will rise in the coming months and they have warned the prime minister that this will affect the position of his minority government.

The government will, however, find it difficult to go back on its economic policies since disbursement of further instalments of the standby credit of $2.2bn (£1.2bn) from the International Monetary Fund is dependent on fulfilling performance criteria.

Algeria reaches into the past to avoid fundamentalist regime

MR Mohamed Boudiaf's decision, at the age of 71, to return to his country from which he voluntarily exiled himself after 1963, to preside over a five-man collegiate presidency until the end of next year, is symbolic of an attempt by senior Algerians to reconcile their country with its turbulent history, writes Francis Ghilès in Algiers.

Mr Boudiaf is one of the three surviving "historic chiefs" of the Algerian revolution, the men who launched the fight to rid their country of 132 years of French rule.

That struggle claimed 1m dead in a war that not only pitted French against Algerian but also resulted in violent strife within each community.

Mr Boudiaf, who has been adamant in his refusal to live under what he has always considered to be a military dictatorship, will ostensibly lead a "Jemaa", a sort of council of elders which in traditional Maghreb society seeks to settle feuds and maintain the unity and prosperity of the tribe.

However, Defence Minister Khaled Nezzar, the strong man since the annulment of the second round of the elections that were poised to put the fundamentalist Islamic Salvation Front in power, was also a member of the briefly created High Security Council and presumably was a key figure in the dramatic decision to recall Mr Boudiaf .

The ability of Mr Boudiaf to get on with Gen Nezzar and the Algerian military as a whole, whom he has always distrusted, will be a key factor – unless Mr Boudiaf is to be treated purely as window-dressing to avoid a violent split between Islamic and secular Algeria in the wake of the ascendancy of the FIS.

Dr Haddam Tedjini, a man who hails from a highly respected traditionalist family and has occupied, among other posts that of ambassador to Saudi Arabia, head of the Grand Mosque in Paris and chairman of the Family Planning Council, is also a member along with Mr Ali Kafi, who is in charge of the war veterans' association and Mr Ali Haroun, a respected lawyer who occupies the post of minister of human rights. Algeria today is at the crossroads. Family ties, regional loyalties and religion are the keys to understanding it.

Against the appearance of a modern state with a progressive ideology, these factors outweigh all others, at street level and in government and are still the real checks and balances in a society which has yet to forge its identity nearly 30 years after gaining independence from France.

The divisions are only in part between haves and have-nots. The fault lines fracture every professional, language, regional and social group in the country.

The young Algerians who were educated in the post-1962 parallel system, where Arabic was the medium of instruction, have not been given access to the top jobs in diplomacy or industry.

Furthermore, the lack of freedom in a single party system, whose official discourse denounced the West and heaped praise on everything Arab, also played its part in fostering the idea that a return to traditional Moslem values would purge society of "perverted" Western values.

Reconciling this country with its history, helping it to forge a less confused sense of its own identity is the challenge that Mr Boudiaf and his peers face.

He will need the support of a strong and competent government to enact the painful reforms needed to buttress the liberalisation of the economy and get people back to work.

Mr Abdelkader Hachani, the FIS leader, yesterday said the new leadership was a coup d'état against the Islamic state, Reuter reports from Algiers. "In truth, the question is a coup d'état against the Islamic state, and not against the president but against the Algerian people," he said.

He said that the Constitutional Council did not have the right to cancel the elections which were annulled at the weekend. Mr Hachani told a news conference in Algiers that the only legal body now existing was the block of parliamentarians elected at the now scrapped poll.

He suggested that they could meet and challenge the new leadership. Mr Hachani claimed that the authorities had started a crackdown against FIS militants and had arrested 50 in Algiers.

Investors in US brush aside gloom of the latest figures

Recent statistics are pessimistic but businessmen are betting the economy will rebound in the second half, reports Michael Prowse

THE LATEST economic figures suggest that the US economy is weakening rather than strengthening. Yet share prices bound from one new high to another.

The explanation offered on Wall Street is that investors are betting that the economy, after three years of stagnation, will begin a sustained recovery later this year. Lower yields on bonds and bank deposits following the Federal Reserve's aggressive easing of monetary policy before Christmas have also prompted a shifting of cash into the stockmarket.

US forecasters' consensus is that the economy will indeed rebound in the second half of this year. Most have pencilled in growth of about 3 per cent at an annual rate – exactly the forecast they made this time last year for the second half of 1991. The question is whether the optimism will again prove misplaced.

It is certainly difficult to draw any comfort from recent economic statistics. Worse-than-expected figures for retail sales released this week indicated that 1991 was the worst year for department stores in at least two decades. Sales fell sharply in December and were revised down substantially for November. Car sales for the first 10 days of January were also down sharply, signalling no early recovery of consumers' spirits.

"The deterioration in consumer spending in the fourth quarter is a major hurdle for the economy," says Mr David Resler, chief economist at Nomura Securities in New York. The stockmarket, he adds, is "totally blinded to current events and looking well into the future."

Figures for employment and production are little more encouraging. In December, the unemployment rate rose to 7.1 per cent, a five-year high.

But the rebound did not reflect private-sector strength because it was more than accounted for by an erratic rise in state and local government employment. Taken as a whole, the fourth quarter showed a marked deterioration in employment prospects.

The Purchasing Managers' Index – a much-watched guage of manufacturing industry's health – is falling at an accelerating rate. Last month, it fell four percentage points to 46.1, which suggests a contraction of the industrial economy. Industrial production and the index of leading economic indicators have also turned down decisively.

The evidence so far suggests that production, although weak, was stronger than demand in the fourth quarter: inventories rose in both October and November as companies' sales fell short of expectations. Economists are divided on whether gross domestic production was flat or slightly down in the fourth quarter. But the need to bring production and demand into better balance strongly suggests a drop in gross domestic product (GDP) in the current quarter. The feared "double dip" recession thus looks a reality.

Why has sentiment in the financial markets improved so noticeably in spite of growing evidence that the recession – already the longest since 1945 – is intensifying again?

The turning point was the announcement late in December by Mr Alan Greenspan, chairman of the Federal Reserve chairman, of a full point cut in the discount rate to 3.5 per cent, the lowest level in 27 years. This move - the boldest in Mr Greenspan's career - convinced markets that the Fed was determined to revive the economy.

Mr Greenspan testified before Congress on Friday that he hoped the sizeable monetary stimulus now in the pipeline would prove sufficient. But he added that he was ready to take whatever steps were necessary to ensure a sustained economic recovery. Many analysts have interpreted this as a commitment to further interest rate cuts if growth fails to pick up.

"I'm confident that rates will be cut further," says Mr Neal Soss, chief economist at First Boston Corporation, a New York broker. He argues that Mr Greenspan needs to react not only to renewed weakness of the US economy, but to gathering evidence of a recession in Europe and Japan that could curb US export prospects. Few analysts, however, expect another cut in interest rates before February, and some believe that rates are already at, or very near, the bottom.

The widespread optimism that the long-awaited recovery really will materialise in the second half largely reflects confidence in the efficacy of monetary policy. The housing market – the sector traditionally most sensitive to interest rates – has not yet shown convincing signs of recovery, but many economists believe that it must eventually respond to lower mortgage rates. In recent weeks, homeowners have rushed to refinance loans at the new, lower rates. Lower interest rates are also increasing the attractions of investment in consumer durables such as cars and domestic appliances.

Optimists stress that companies are seizing a golden opportunity to restructure balance sheets weakened by the debt build-up of the 1980s. Lower long-term interest rates and strong equity markets prompted record bond and equity issues last year. In theory this should eventually support increased capital investment and the rehiring of workers.

The problem lies in judging the time needed for adjustment. Each successive year of economic stagnation increases the likelihood of a recovery. But debt burdens still remain uncomfotably high throughout the economy, while consumer confidence languishes at a near-record trough. The Bush administration, moreover, has done little to address long-term weaknesses such as the US's abnormally low savings rate.

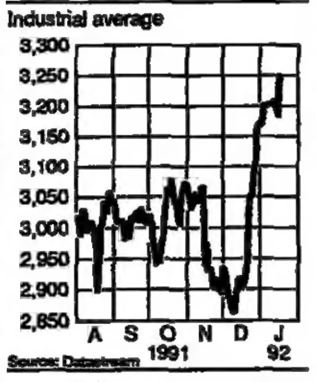
Measures in the President's State of the Union address later this month, while being promoted as a long-run growth package, may lead in practice to even higher fiscal deficits, which is precisely the wrong prescription in the eyes of many economists.

The forward-looking optimism of financial markets is thus more akin to an act of faith than a considered economic judgment.


Alan Greenspan: his boldest move yet

Dow Jones

Industrial average



Source: Datastream


Shafik Handal, one of a delegation of five FMLN left-wing guerrilla commanders, arriving in San Salvador. The guerrillas are to sign a United Nations mediated peace accord with the government of El Salvador in the capital today. Feature, page 20

Menem aide quits over milk scandal

By John Barham in Buenos Aires

ONE of Argentine President Carlos Menem's most trusted aides resigned yesterday after press allegations that he is a shareholder of a company that sold sub-standard powdered milk at inflated prices to a public nutrition programme for children.

Mr Miguel Angel Vicco, one of Mr Menem's two private secretaries, is also a close friend of the president. He had direct access to Mr Menem and handle delicate government missions, as well as the president's private affairs.

An investigation led by Página/12, an opposition newspaper, claimed that Mr Vicco and Mr Carlos Spadone, also a government official until forced from office last month, were partners in a milk-processing plant that sold powdered milk to the Ministry of Social Action.

Mr Menem had strongly defended Mr Vicco against the allegations, claiming they were thinly-veiled attacks on the government. Mr Vicco is the second government official to resign this year accused of corruption.

On Monday, Mr Miguel Nazur had resigned as head of PAMI, a government health insurance scheme for old age pensioners.

Mr Menem has shrunk from aggressive prosecution of alleged offenders. He has said: "They have left the government. What more do you want? We should shoot them?"

Higher welfare charges blocked by Brazil parties

By Christina Lamb in Rio de Janeiro

PRESIDENT Fernando Collor de Mello of Brazil was left isolated yesterday after an emergency government bill to increase social security contributions had been rejected by all parties, including those which support the government.

The bill was introduced to cover $10bn in extra pension payments that the government will have to make as a result of a court having ruled that pensioners shall be given a 147 per cent increase.

Unless the government can find a way to raise this money, the payments would threaten to jeopardise its fiscal adjustment plans, which will be presented to the board of the International Monetary Fund next Wednesday. The board is due to discuss then a $2bn stand-by loan for Brazil.

The unanimous rejection of the bill, effected in talks before any vote could take place in Congress, was communicated to Mr Collor in a note signed by all 17 parties in Congress and written by Mr Ricardo Fiuza, leader of the government bloc.

Meeting journalists yesterday, the president warned that the government would not print money to meet the payments as this would threaten the battle against inflation, which is running at 24 per cent a month.

He said: "One more time, I must make clear that this government is not going to reopen sources of inflation."

The president added, however: "I am open to any suggestions as to how we can pay this pension increase."

Haitian MPs to rule on premier

By Canute James in Kingston

THE Haitian parliament is to decide whether it will accept the head of the country's small communist party as an interim prime minister, in moves to clear the way for a return to the country and to power of President Jean-Bertrand Aristide. He was overthrown and sent into exile by the army in September.

Although Mr René Théodore, the communist leader and a critic of Father Aristide, has said he will accept the post, many legislators, and the army leaders, continue to have reservations about any moves leading to the return of the president. Mr Théodore has been accepted as a compromise candidate by Fr Aristide and the Organisation of American States.

Mr Théodore has said, however, that his acceptance of the post is conditional on the lifting of a trade embargo imposed on Haiti after the coup by OAS members and several European countries. His position thus supports that of the military.

Mr Théodore has said he cannot set any dates for the return of the president, suggesting that he would have to be guided, perhaps by the country's military leaders.

The OAS has maintained that the president must be back in office before trade is reopened. But diplomats in Port-au-Prince, Haiti's capital, and Washington, said yesterday that the OAS was likely to be flexible, and would be willing to consider a phased removal of sanctions when there were clear signs that Fr Aristide would be allowed to return.

The army, which will have the final say, is concerned about the impact of Fr Aristide's return. He has said that junior officers involved in the coup were following orders, but their commanders would be tried or exiled.

The military and Haiti's small élite also fear that the return of the populist politician would embolden his many poor supporters to act against those who staged and supported the coup.

GM forms joint venture in China to build trucks

By Kevin Done, Motor Industry Correspondent, in Detroit

GENERAL Motors of the US, the world's largest vehicle maker, has formed a joint venture in China for the production of light commercial vehicles.

The venture, which will be GM's first vehicle project in China, will have an equity capital of $33m (£18.5m).

Total investment by the joint venture in the project is expected to be $100m by the end of the decade.

The US vehicle maker is taking a 30 per cent stake in Jinbei GM Automotive Company, a joint venture formed with Jinbei Automobile, currently a producer of vans and light duty trucks.

The new company, which is to be located at Shenyang City, about 700 km north-east of Beijing, will start assembly of GM's North American S-series pick-up trucks later this year.

GM said yesterday that output would increase gradually during the 1990s to reach some 50,000 a year by 1998.

Initially the trucks will be assembled from semi-knock-down kits shipped from North America, but GM said that it would gradually increase local content by using a rising share of locally supplied parts.

GM's first automotive project in China was the sale in 1988 of an engine manufacturing line for 2.0 litre engines to the Bei Nei Engine Factory.

The engine plant is planned to have an eventual capacity to produce 200,000 units a year.

Initially 2.5 litre engines for the pick-up trucks to be assembled by Jinbei GM Automotive will be supplied from North America, but these will gradually be replaced by engines from the Bei Nei plant, when production starts later this year.

GM said that it would provide management personnel, training, and technology to the joint venture company, which would have a workforce of around 5,000.

China steps up pressure over US sanctions

Yvonne Preston analyses the two countries' campaigns ahead of today's deadline

ACCUSED by Washington of being the biggest pirate of US copyright and patents in the world, China has fought a tough and noisy campaign to prevent the US from imposing punitive trade sanctions against Chinese exports worth up to $1.5bn (£84bn).

As today's US deadline approached for the Chinese to reach an acceptable agreement on the issue or face stiff retaliatiion, Beijing steadily increased the tempo of its campaign.

This reached a peak last week with the threat of counter-retaliation in the form of a "hit-list" of $1.2bn-worth of US exports, from aircraft, chemicals and steel, to cotton and corn, that could be subject to tariffs of up to 100 per cent.

Meanwhile, Beijing left no stone unturned in its efforts to prove its good faith.

A little more sincerity on the US side was what was needed, its negotiators loftily claimed, while blithely affecting to be unaware of considerable evidence of wide-ranging piracy in videos, computer software, books, movies and music recordings.

The Communist Party newspaper People's Daily took up the cause of proving that China meant well, trying to present a country unjustly misrepresented by its critics, notably the US.

It gave prominence recently to a report of a crackdown on unauthorised Chinese editions of the US novel Scarlett, the bestselling sequel to Gone with the Wind.

The Shanghai Translation Publishing House bought the exclusive copyright, the paper said, and planned to publish a Chinese edition in simplified Chinese characters.

It reported that, when the State Administration of Press and Publication Copyright Bureau learned that other Chinese publishing houses planned to bring out their own editions, they were ordered to stop translating and not to publish.

The People's Public Security News managed to track down an alleged US infringement of copyright against a Chinese novel.

The newspaper accused the International Daily News based in Los Angeles of serialising the novel without permission.

However, the real issue is less about pirated books – although there are thousands locked up in university libraries and in private rooms in Chinese bookshops – than about protection for highly valuable computer software and industrial patents.

Chinese patent law protects only processes not products. Chinese companies have been able to take up US products, such as pharmaceuticals and chemical fertilisers, slightly change their manufacturing process and thereby avoid infringement of patent.

Trademarks are another problem area.

Here, China points to what it sees as US guilt. A Xinhua news agency report last year said China had declared illegal and confiscated products infringing the M & M chocolate patent of Mars Inc, and fined the infringers.

By contrast, complained Xinhua, the US delayed settling a case of infringement of the trademark of China's Qingdao Brewery, even though the case had dragged on for two years.

Nevertheless, the weight of the case appears to remain overwhelmingly with the US. When Mr Joseph Massey, the US assistant trade representative, emerged last month from the fifth and penultimate scheduled round of talks in Beijing, he made no secret of US dissatisfaction.

He described China as "the single largest pirater worldwide of US copyrights" and "the largest unauthorised user of US pharmaceuticals."

He said: "We are suffering substantial economic harm because of Chinese piracy," he said.

US manufacturers estimate they have lost $430m (£240m) from copyright violations on the Chinese mainland.

All of this of course increases unwanted trade tensions. Moreover, China does not want a trade war.

But neither does the US want to deal with a rogue elephant, trampling international convention and violating copyright and patents on its hard-won and expensively-researched intellectual property.

US and Chinese trade officials yesterday were still negotiating in an attempt to head off a trade war over Beijing's failure to provide adequate protection for intellectual property rights, writes Nancy Dunne in Washington.

Mrs Carla Hills, the US Trade Representative, has set today as the last possible deadline for settlement. If no agreement is reached, US sanctions are to be announced shortly. The Chinese government has threatened to retaliate.

Among the points of dispute was a proposal by Beijing to establish a two-tier system of protection for softwear copyrights. This would provide stronger protection for foreign than domestic copyrights; US companies fear joint ventures would fall under the domestic regime.

The US is also demanding a definite date – and it must be near-term – for China to join the Berne Copyright Convention.

The dispute over intellectual property rights came to a head last spring, when the US, under a provision of trade law called Special 301, cited China for failure to protect softwear, movies, records, trademarks and drug patents.

BP quits Qatar gas project

By Deborah Hargreaves

BRITISH Petroleum said yesterday it will pull out of Qatar's huge liquefied natural gas (LNG) export project. BP said its 7.5 per cent stake in Qatargas will now revert to the Qatar General Petroleum Corporation, which holds a 70 per cent share in the project.

Qatargas was set up seven years ago to export LNG from the country's North field. The $5bn project to develop the world's largest gas field is run by the QGPC (Qatar's state energy company) and three foreign partners. Total, a French resources company, and Mitsui and Marubeni, Japanese trading houses, have 7.5 per cent each of the project.

BP said its decision to pull out was made for internal reasons and that, given the calls on its investment funds, it would get better returns elsewhere. The company has led feasibility and technical studies for the project, but declined to specify the level of its investment so far.

Qatar expects to start exporting 4m tonnes of LNG to Chubu Electric Power in Japan by 1997 from the North field.

HK gets six tenders for airport work

THE Hong Kong government has said it has tenders from six prequalified contractors for site formation work as part of the project to build a new airport, Reuter reports from Hong Kong.

The work preparing for a suspension bridge and motorway interchange is on the north-western part of Tsing Yi island.

"The contract will be fixed-price lump sum. This is to ensure as far as possible that the works are completed on time and within budget," said Mr Kwei See-kan, Director of Highways.

The contract is due to be awarded in April and is expected to take 28 months.

The contractors include Nishimatsu Construction, Bilfinger and Berger, Aoki Corporation, Tobishima Corporation and Dragages et Travaux Publics.

Mitterrand rejects Dunkel plan for Uruguay Round conclusion

By Ian Davidson in Paris

GATT

FRANCE yesterday rejected the Dunkel plan for the conclusion of the Uruguay Round of international trade liberalising negotiations, which it described as unfair to French interests and unacceptable.

President Mitterrand told the government, meeting in cabinet, that "France is not ready to bow to American demands nor to submit to the interests of any other country, and will not give way".

The French government's objections are directed primarily at the agricultural provisions of the Dunkel plan, which would call for sharp restraints on European farming, including limits on exports.

"Our country rejects the Dunkel report in its present form", said Mr Roland Dumas, the foreign minister, "because of its partiality and its disregard for the interests of French and European agriculture".

Mr Dumas said that France would insist on sticking to the negotiating mandate given by the 12 member states to the European Commission, and "would refuse any submission to non-European interests".

Mr Louis Mermaz, Agriculture Minister, described the Dunkel report as unacceptable on many points and "totally unacceptable" in the agricultural field.

The US also came under attack in Brussels in a statement issued yesterday by Mr Frans Andriessen, the European Community's Trade and External Relations Commissioner. Mr Andriessen said he was "unpleasantly surprised" by the remarks of President Bush this week the EC was hiding behind an "iron curtain" of protectionism.


Mitterrand: not ready to bow to American demands

Gatt drug plan agreed by Canada

By Bernard Simon in Toronto

CANADA has endorsed the Uruguay Round proposals to strengthen patent protection for brand-name pharmaceuticals, in the face of strong protests from the powerful generic drug industry.

The endorsement, if the Uruguay Round is successful, would effectively end compulsory licensing, which has been a thorn in the side of the world multinational drug industry for more than two decades. A 1969 law required pharmaceutical makers to license products to generic companies long before their patents expired.

Brand-name suppliers were given greater patent protection in 1987, but the law still allows generic companies to copy a drug within 7-10 years of its launch. Acceptance of the proposals would extend patent protection to 20 years.

Ericsson in Portuguese contract

By Robert Taylor in Stockholm

ERICSSON, Sweden's leading telecommunications company, announced yesterday it had won a SKr862m (£83.8m) order from Telecel, the Portuguese communication group to instal a national private digital mobile telephone system in Portugal.

As sole supplier, Ericsson hopes that the system will come into commercial service next October. The system plans to cover 150,000 subscribers and 85 per cent of the country by 1996.

In a statement Ericsson said that Portugal was the 14th European country to select the company as a supplier of mobile telephone systems. It added that the order also represents "a strategic breakthrough" for Ericsson in Portugal for the supply of the company's AXE switch gear.

Kat-Parts

A Financial Times article published on March 14, 1991 was the subject of a court statement yesterday. Mr Noel McMichael, solicitor for Kat-Parts Inc, told Mr Justice Drake in the High Court in London that the article, headed "Moles unearth spare parts scam" concerned the efforts of Caterpillar Inc, by the use of private investigators, to eliminate a counterfeiting network.

He said the article, which was substantially based on information provided to the FT by Caterpillar, accepted that Kat-Parts had been identified as part of a counterfeiting network which was costing it several million US dollars a year and enabling Mr William Dann, the head of Kat-Parts, to fund an extravagant lifestyle. The FT now accepted that it should not have portrayed this and other matters as proven fact.

The newspaper's solicitor, Mr Richard Shillito, agreed that the FT wished to make clear that while Caterpillar had brought an action against Kat-Parts in the US District Court for the southern district of Texas, Houston, in which allegations of dealing in counterfeit parts are made against them, Kat-Parts are vigorously defending the proceedings. The issues are yet to be determined in the action.

In the meantime, he agreed, Kat-Parts is not restrained from dealing in Caterpillar spare parts nor, as a result of the denial of an application by Caterpillar in the US proceedings which was heard on May 9, 1991, is it restrained from trading under the name Kat-Parts Inc.

Kat-Parts had assured the FT that spare parts which it agreed to supply to Caterpillar's agents were all manufactured or supplied by companies which were authorised Caterpillar sub-contractors. Kat-Parts had also assured the FT that it does not employ a team of immigrant workers and that Mr Dann does not have a luxury trailer on the Kat-Parts site in Houston, nor a house in France and does not lead an extravagant lifestyle, the solicitor said.

Labour rethinks plan to raise tax contributions

By Alison Smith and Philip Stephens

BRITAIN'S opposition Labour party gave the first indications yesterday that it may water down plans to raise taxes because of the potentially crippling impact on its electoral support in southern England.

The Labour leadership is now reconsidering proposals for sharp increases in National Insurance Contributions (NICs) for those earning more than £20,000 a year.

At present all wage earners pay contributions – currently a nine per cent levy to pay for social security benefits – on earnings up to £20,280. Those who earn more do not pay extra National Insurance.

Senior Labour party figures are suggesting that the proposed abolition of the £20,280 ceiling on such contributions could be phased in over a number of years rather than come into effect immediately after the general election.

The change of heart - which follows an intense Conservative onslaught on Labour's tax and spending plans - reflects growing concern in the shadow cabinet about the unpopularity of the plan among voters in key marginal constituencies in south east England.

Labour needs to win a swathe of seats around London and in the rest of southern England if it is to have a chance of defeating the government in the election which must be held before July.

But its concern about the impact of the NICs change will be reinforced by the publication later this month of a region-by-region breakdown of the effect on voters in different parts of the country.

It is understood that a report under preparation by the independent Institute for Fiscal Studies (IFS) will show that in parts of the south east more than a third of those in employment would be forced to pay more if Labour were elected.

There are two possible ways to phase in the abolition of the ceiling. Party leaders have floated the option that initially people earning more than £20,280 would pay NI contributions on anything above that point at a lower rate than the nine per cent level levied on the rest of their income.

Another possibility, suggested by the IFS, would be a gradual increase in the ceiling over a number of years until it was eventually aligned with the top rate tax threshold and then abolished.

Either would bring Conservative charges of a dramatic U-turn forced upon the opposition by the effectiveness of its attacks on Labour's tax and spending plans over the last 10 days. It would also put a question mark over the financing of the opposition's spending plans.

But if Mr Neil Kinnock confirms the plans for a phased change he will insist that it is entirely consistent with long-stated pledges to avoid large disruptions in family budgets.

Party figures were last night referring to a phrase in the party's latest policy document, Opportunity Britain, which states: "Fundamental tax reforms of the kind we propose must be introduced gradually so that family and business budgets are not disrupted."

MORE than 300 Liverpool residents yesterday appeared at the city's magistrates court following the council's decision to issue 255,000 summonses against poll-tax defaulters. The court action is part of moves by Liverpool City Council to recover £90m in unpaid tax. Magistrates were due to hear cases against 5,500 defaulters yesterday and Ms Lesley Mahmood, the left-wing councillor and parliamentary candidate, was among the first to attend the proceedings.

London and Washington 'briefed on supergun project'

By Richard Donkin and Jimmy Burns

BRITISH and US officials were told about the military uses of the Iraqi supergun project before parts were delivered to Saddam Hussein's regime, the manager for the project told MPs yesterday.

Dr Chris Cowley said in written evidence to the House of Commons select committee on trade and industry that Dr Gerald Bull, the inventor of the 'supergun', had told British intelligence contacts about his work with Iraq in 1988.

He also claimed that in the same year representatives of Dr Bull's company, Space Research Corporation, told the US State Department about the project which included the design of a 210mm self-propelled gun, "ballistic programmes", and a supergun known as Project Babylon.

The claim drew a fresh political offensive against the government over the supergun affair. Mr Gordon Brown, the opposition's trade and industry spokesman, said that the claims appeared to be at variance with previous official statements made to the select committee by the Department of Trade and Industry.

Mr Brown said last night: "I am today writing to the prime minister to demand an urgent statement from him which makes clear exactly who knew what, and when, in government, about the export of supergun parts to Iraq, and whether despite an arms' embargo and all previous statements to the contrary the government did indeed know that British exports were building up Saddam Hussein's military machine."

In written evidence to the committee, Dr Cowley said that Dr Bull had openly discussed his security contacts within International Military Services, a government defence sales company, Rothschilds Bank, and the defence sales department of Midland Bank. "Midland Bank trade credits seemed to be important in securing final approval for the contract for Project Babylon to be awarded to British companies," Dr Cowley said.

He told the committee that he had been at a dinner in Baghdad with Dr Bull and a senior official of Midland Bank in June 1988. Dr Cowley said that Midland secured most of the British contracts with Iraq at that time.

Midland Bank said it was a matter of record that the bank had led a number of ECGD backed credits to Iraq for the supply of goods and services and pharmaceuticals. It denied financing any of the supergun contracts.

Dr Cowley, who was at one point arrested by UK customs officials and accused of illegal arms exports - charges that were subsequently dropped - was asked by the committee if he thought the British government had been involved in Dr Bull's murder in March 1990. He replied: "It would not surprise me in the least...over the years I have worked with Space Research Corporation it became apparent that MI6 was out of control in some areas."

Government averts gas supply dispute

By Deborah Hargreaves

THE government stepped into the row between British Gas and its regulators yesterday, heading off a far-reaching investigation by the Monopolies and Mergers Commission that had threatened to cast a shadow over the industry for most of this year.

Mr John Wakeham's intervention in the row between British Gas, its regulator, Ofgas, and the Office of Fair Trading (OFT) preserves the energy secretary's ambition to encourage more competition in gas supply without throwing the industry into upheaval.

Mr Robert Evans, British Gas chairman, appealed to Mr Wakeham after failing to get assurances over flexibility on domestic prices from Ofgas, the regulator.

The government's action enabled British Gas to climb down from conditions it attached to its agreement with the OFT to halve its share of the industrial gas market and to hive off its pipeline division.

Mr Evans has now told Sir Gordon Borrie, director of the OFT, that he is prepared to sign undertakings to increase competition in the market without any conditions.

In return, Mr Wakeham assured British Gas that Ofgas would review a tough new pricing formula for domestic customers which is due to come into force in April.

In talks before yesterday's agreement, British Gas had displayed its deep distrust of Sir James McKinnon, director general of Ofgas, by asking for the MMC to arbitrate in any potential dispute over pricing between them. The company says Mr Wakeham's assurances make this unnecessary.

Ofgas, however, still believes that British Gas is aiming to raise customer prices to offset losses resulting from cuts in its industrial business.

Heseltine challenges opposition water plan

By John Hunt, Environment Correspondent

MR MICHAEL Heseltine, environment secretary, yesterday accused the opposition Labour party of "hopeless confusion" on the water industry and challenged the party to say whether it would carry out its policy of re-nationalising the industry.

He also sought to neutralise concern over higher water charges, which are expected to rise 50 per cent in real terms by the end of the century. The rise is mainly to pay for better water quality and environmental improvements.

Mr Heseltine blamed the increase on "starvation" of investment under previous Labour government's when the water industry was still in the public sector.

Mr Heseltine warned that water improvements would have to be paid for: the industry's £28bn investment programme over the next decade amounted to £130 for every household in England and Wales.

Nevertheless, he said, water charges in Britain were among among the lowest in Europe averaging only 43p per household a day. He claimed that the quality of drinking water and rivers in Britain compared well with other West European nations.

BRITAIN IN BRIEF

EC insists on workplace smoking code

British employers will have to provide separate no-smoking rest areas from the end of the year or ban smoking in rest rooms altogether under rules being brought in to comply with a European health and safety directive. Pregnant women and nursing mothers will also, for the first time, have to be provided with their own separate rest facilities at work under the regulations.

An increasing number of organisations are moving towards workplace smoking bans. These regulations could speed the process as employers decide it is simpler to outlaw smoking altogether, rather than having to find separate rest rooms for non-smokers.

Marketing, Page 10

Gene therapy given go-ahead

Direct genetic treatment of inherited diseases such as cystic fibrosis and haemophilia receives official approval today. A Department of Health committee has decided that gene therapy can go ahead in the UK, subject to certain ethical safeguards. The procedure, pioneered in the US, involves correcting genetic defects by adding new genes to the cells where they are needed. This is expected to be more effective and longer lasting than conventional drugs which merely treat some of the symptoms. Several research groups in the UK are preparing trials of gene therapy for diseases including cancer, cystic fibrosis and thalassaemia (a severe blood disorder).

Warning to power groups

The twelve regional electricity companies of England and Wales may be breaking the rules of the new electricity market, Mr John Wakeham, the energy secretary, told the Commons energy committee. He said that if any of the regional companies were found to be buying electricity above market prices, they would be investigated by the electricity watchdog, Offer.

Lilley denies PO sell-off

Mr Peter Lilley, industry secretary, made it clear that his proposals to inject more competition into the Post Office did not amount to wholesale privatisation. While restating his determination to liberalise postal services he frequently referred to the government's commitment to a nationwide letter service with a uniform affordable price structure. He latter added: "There are no government plans to privatise the Post Office at present."

IoD urges budget tax cuts

A freeze on business rates and tax cuts of £3bn would stimulate business investment and nudge the economy towards recovery, the Institute of Directors (IOD) said.

In a presentation of its budget proposals the institute urged Mr Norman Lamont, the chancellor of the exchequer, to make cuts in corporation, capital gains and investment taxes the budget's priority. It also called for a freeze in excise duties on vehicles, alcohol and tobacco and a halt to increases in the uniform business rate to speed up the battle for zero inflation.

Sumitomo, Lucas win order

A joint venture between Lucas Industries and Sumitomo of Japan has been awarded a £10m-a-year contract to provide electrical wiring systems for the cars Toyota is to produce at Burnaston, Derbyshire, starting in December.

Lucas said the contract would lead to the creation initially of 100 additional jobs within the joint venture company, Lucas SEI Wiring Systems. Employment is expected to rise further as car output itself increases during the 1990s. The Lucas/Sumitomo contract is one of 150 that Toyota is in the process of awarding to European-based suppliers.

French experts imprisoned

Two French computer experts who stole six computer discs controlling the daily transfer of millions of pounds from the headquarters of Barclays Bank International have each been jailed for four years. Mr Guylain Olivera de France de Terfant and Mr Michel Bruchon admitted burglary and stealing the discs but denied conspiring to defraud the bank by using the stolen discs to divert money.

Port inquiry delays plans

The privatisation of the port of Tees & Hartlepool is to be delayed for about two weeks while the government investigates allegations that it was conducted unfairly, the department of transport said. In a Commons debate on Tuesday night Ms Joan Walley, a Labour transport spokeswoman, said there "serious allegations of fraud, bribery and corruption" relating to the Tees & Hartlepool bidding. Mr Patrick McLoughlin, shipping minister, said no final decision would be taken on the sale until the allegations had been studied "very carefully".

Results: Associated British Ports, Page 18

Investors in UK to increase

The knock-on effects of foreign direct investment to the UK are numerous, widespread and not always transparent, according to a study commissioned by the Department of Trade and Industry. The study, Coopers & Lybrand Deloitte in collaboration with Benchmark Research, predicts that inward investment could account for as much as 25 per cent of all new capital formation in 1991/92, against 15 per cent in 1989.

Union chief to retire in March

Mr Eric Hammond, the controversial general secretary of the EETPU electricians union announced that he is to retire in two months time as he and other leaders of the EETPU and AEU began a three week tour of the UK to win support for a merger. Mr Hammond, 62, will step down as general secretary on Friday, March 13.

THE LLOYD'S REPORT – ANALYSIS

Report seeks to reconcile history with modern needs

Richard Lapper looks at the proposals from the task force and their impact on the future running of the market

AT THE end of the 1960s, Lloyd's of London, the insurance market, ignored many of the recommendations of the Cromer Report, the last searching examination of its business structures.

The report advocated radical changes, but it was not published, and gathered dust, largely unread.

There is little chance of Lloyd's: A Route Forward, published yesterday after a year's work by a 14-strong task force, suffering a similar fate.

The Lloyd's Council, the insurance market's governing body, has accepted the bulk of the 240-page report's 65 recommended reforms and the long task of translating the recommendations into new rules for the market has begun.

Within the next five to 10 years, the changes may radically alter the way business at Lloyd's is conducted.

Mr David Coleridge, chairman of the market, said work on implementing the report would begin "at once and forthwith". Six working parties are being set up, supplementing Lloyd's network of committees to examine practicalities.

Most Names – the wealthy individuals whose wealth backs the market – will have copies of the report by Saturday, and during February and March a Lloyd's roadshow – involving senior market figures – will travel to 32 international venues to present the conclusions of the report and take soundings from meetings of Names.

Mr Coleridge hopes that plans to cap Names' liabilities – the most controversial proposal – will be complete by April so that they can be in operation for the beginning of the 1993 underwriting year. There are also hopes at Lloyd's that members' agents pooling arrangements (Mapas), designed to allow less well-off Names to spread risks more widely, will also be ready for next year.

The capping proposal marks a watershed in Lloyd's 300-year history, during which it has clung tenaciously to its principle of unlimited liability, whereby the losses of its Names or underwriting members must be paid even if it means selling their personal posessions.

The principle, which stems from Lloyd's origins in the 17th century, when wealthy merchants banded together to insure ships and their cargoes, has been a mixed blessing. Many potential wealthier members of Lloyd's have been dissuaded recently from joining by the prospect of personal bankruptcy.

The task force recommends that the tax advantages and other advantages of unlimited liability are sufficient for its maintenance, but the introduction of a cap – even at a relatively high level – radically alters its significance.

The central fund that will bear all losses over the cap will be replenished with a cash call from Names if it is needed, and only if the claims then overwhelm the market as a whole will the Names bear liability. The task force hopes the change will encourage Names to join Lloyd's – only 100 did so last year – and help stem the steady erosion in the market's capital base.

"In effect, the principle has gone," said the managing director of one Lloyd's agency. "Unlimited liability is now more of a symbol than anything else."

In the longer term, the task force's proposal to admit corporate capital into the market opens the way to the possible dominance of Lloyd's by limited-liability capital and the eventual disappearance of unlimited liability as a guiding principle.

The task force acknowledges that the present tide of litigation involving Lloyd's Names and the agents who manage their affairs might eventually threaten the the relationship between individual Names and their agents. More than 2,000 Names – about 10 per cent of the total – are currently involved in such legal action.

In addition, if the market's profitability is insufficient to persuade enough new Names to join Lloyd's, limited-liability capital might rapidly become the "predominant form of capital in the market".

The underlying theme of the report is the maintenance of the market's existing structures with radical reforms to improve competitiveness, reduce costs and modernise business practices, in the wake of a long-term decline in its share of the international market for specialised commercial insurance and reinsurance.

Faced with the dilemma of reconciling the potential conflict between the need for strong central leadership and "the preservation of the entrepreneurial character of the market", the task force has opted to introduce a series of piecemeal changes to support market-led rationalisation in the short term. At the same time, the market must take action now to prepare for more radical long-term changes.

"All our recommendations seek to preserve and build on Lloyd's truly distinctive strengths, and in most cases seek to improve structures that exist today, rather than sweep them away and look for completely new structures," said Mr David Rowland, the Sedgwick insurance broker who chaired the task force.

Mr Rowland says that the market's difficulties over the past two years have already prompted a number of important changes. Lloyd's reported its first global losses for more than 20 years in June last year and will report even heavier losses for 1989 and 1990. A number of syndicates have folded as a result and many managing and members' agents have either closed or merged. This year, only about 280 syndicates will be trading, compared with more than 350 last year. Those changes, coupled with the introduction of new technology, should help to cut costs, but the task force believes that "market forces alone will not accomplish all the necessary changes" and has proposed a number of measures to promote efficiency.

Lloyd's costs – especially the system of raising and servicing capital – have grown too rapidly compared to those borne by competitors in the company market and must be reduced. In the medium term, the market hopes that costs can be cut by 38 per cent. Mapas will help save up to £12m a year but long-term rationalisation among agency groups is expected to yield much greater savings.

The task force's main difficulties concern the troubes of the past, and in dealing with those issues the radicalism becomes more muted. The task force admits that the demands stemming from US asbestosis and environmental liability claims are incalculable. Names facing heavy losses from US liability business have been given no respite and the task force admits that the woes of syndicates with open years – where liabilities are so uncertain that accounts cannot be closed – are likely to worsen.

Lloyd's: A Route Forward. Lloyd's, 1 Lime Street, London EC3M 7HA. £25.

Plans for long term see radical changes

THE TASK force report contains three proposals that would either require detailed changes to the Lloyd's Act, or further debate. If implemented, the introduction of limited-liability capital, the creation of a secondary market for syndicate participation, and a restructuring of the agency system would change the character of Lloyd's more than all the short-term reforms put together.

The idea of limited-liability capital is suggested as a sort of back-stop in case too few Names return to the market.

Limited-liability capital would be admitted in the form of "corporate members". Such members would be structured as authorised insurance companies, would have to meet very high minimum-solvency levels and size qualifications. They would participate alongside Names on syndicates.

In the case of corporate members – which could be owned by corporate or institutional bodies – going into liquidation, the Lloyd's Central Fund would meet outstanding liabilities on valid claims.

Significantly, the report points out that changes to the Lloyd's Act would also offer the option of moving to a fully incorporated basis of trading if the present capital structure failed to sustain growth.

Implicit in all that is that Lloyd's needs to boost its profitability to attract significant levels of corporate capital. That is certainly a key part of the aim behind the second long-term proposal: a restructuring of the agency system.

All individual Names would be required to spread the first £500,000 of their premium income limit via a Members' Agent Pooling Arrangement (Mapa), which would diversify risk more effectively than at present. Corporate members and wealthier individuals writing business above that limit, or "Super" Names, could have direct agreements with syndicate managers.

The members' agency system would be divided into three different functions, performed either separately or by specialist firms. Fund managers would act as agents for Names in respect of Mapas; licensed advisers would advise Super Names on agency participation, and others on the choice of fund manager. Administrative utilities would carry out administration. The syndicate manager's role would be largely unchanged from that of today's managing agent. Syndicate managers, moreover, could be part of wider groupings.

Probably the most radical element is the proposal for a market in syndicate participations. Names, in other words, would have to pay to join a syndicate, buying capacity from a Name seeking to leave on a matched bargain basis.

The report says the idea could resolve some of the structural difficulties arising from the fact that syndicates are "annual ventures" and have no legal identity in themselves. Names' returns would no longer depend on a single profit contribution. In addition, the returns would be based on the appreciation or depreciation in the value of their participation.

Apart from legal obstacles, the report admits to doubts about the feasibility of creating an efficient capital market with adequate information and sufficient liquidity. Increased volatility would also change the nature of Lloyd's. For those reasons it suggests that the case for a market in syndicates should be re-examined in three years' time.

Tim Dickson

Fund to cap losses, but limited liability remains

THE recommendation by the task force of a high-level cap to limit excessive losses for Names does not abolish unlimited liability, but is a radical modification of the principle.

The market's recent losses have highlighted the risk of bankruptcy for Names, and many submissions to the task force urged an end to unlimited liability.

The task force's proposal calls for losses to be limited to an amount equivalent to 100 per cent of a Name's annual premium income over a four-year period.

A Name underwriting £100,000, for example, would pay all losses up to £100,000. A central fund would pay losses above that figure.

The fund would be financed by a compulsory levy on all Names equivalent to 0.25 per cent of their premium income limit (the maximum amount of premiums a Name is allowed to accept under Lloyd's rules).

Names can bring their exposure below that limit by purchasing stop-loss reinsurance policies as at present.

Unlimited liability would remain, however, because a Name would face further losses in circumstances that "threatened the continued existence of the market".

If the fund could not meet calls, liability would again fall on the Names.

The scheme is expected to come into effect at the beginning of 1993, but will not cover losses of Names incurred before 1992. That option was ruled out for practical and legal reasons.

The task force says the scheme will provide more certainty to existing Names and make the market more attractive for very rich individuals.

"At present, a wealthy Name's upside is limited by the maximum premium limit allowed, but the downside is unlimited."

Richard Lapper

Pooling proposals aim to spread risks and rewards

AMONG the least expected of the task force's recommendations is the setting-up of members' agents pooling arrangements, or Mapas, to allow agents to pool all the syndicate participations of the Names whose affairs they handle, to spread risks and rewards more evenly.

The agent would pool all portfolios and allocate units in the pool to Names, constructing a kind of unit trust, as distinct from a separate portfolio of participations on separate syndicates for each Name. The idea was mooted in the summer of 1990, but after extensive discussion in the market the Lloyd's Council took the decision at the beginning of last year not to introduce it.

The task force says that was "an unfortunate decision" and that given the market's troubles, "there would now be much more interest in this scheme". In particular, it says, a large slice of the market's losses in 1988 were heavily concentrated among a minority of Names. "The extreme losses of a few Names bring not only great hardship to those Names, but also considerable damage to the reputation of the Society as a whole."

The introduction during the past year of new techniques to streamline managing agent accounting – known as managing agent unitised accounting (Manuac) – would make the introduction of Mapas easier and simpler. Such techniques eliminate "the need for managing agents to prepare syndicate accounts for each Name." Under Manuac, the managing agent will declare an overall result for the syndicate and distribute a payment to each members' agent pro rata.

The task force suggests that savings, perhaps up to £12m a year, can be realised by the introduction of Mapas. It says less well-off Names are best placed to benefit and suggests that Names who commit about £500,000 should eventually only be allowed to participate in the market via Mapas.

Richard Lapper

Change proposed on open years

THE TASK force offers no immediate respite for the thousands of Names who are members of syndicates with "open years". Those refer to accounts that cannot be closed because of uncertainty about the scale of future claims arising from US liability business underwritten up to 40 years ago.

Nevertheless, it suggests changes that might help to improve matters.

It says Lloyd's "must offer Names a route to leave if they so wish, albeit at a price which fairly reflects their outstanding liabilities. Unless the society [Lloyd's] can demonstrate that Names can resign if they wish, it will be hard to persuade new Names to join".

The task force says long-tail liabilities, in which claims emerge sometimes decades after policies are written, represent "one of the greatest problems facing the society".

It was unable to develop reliable estimates about the size of future claims arising from asbestos-related diseases and environmental pollution.

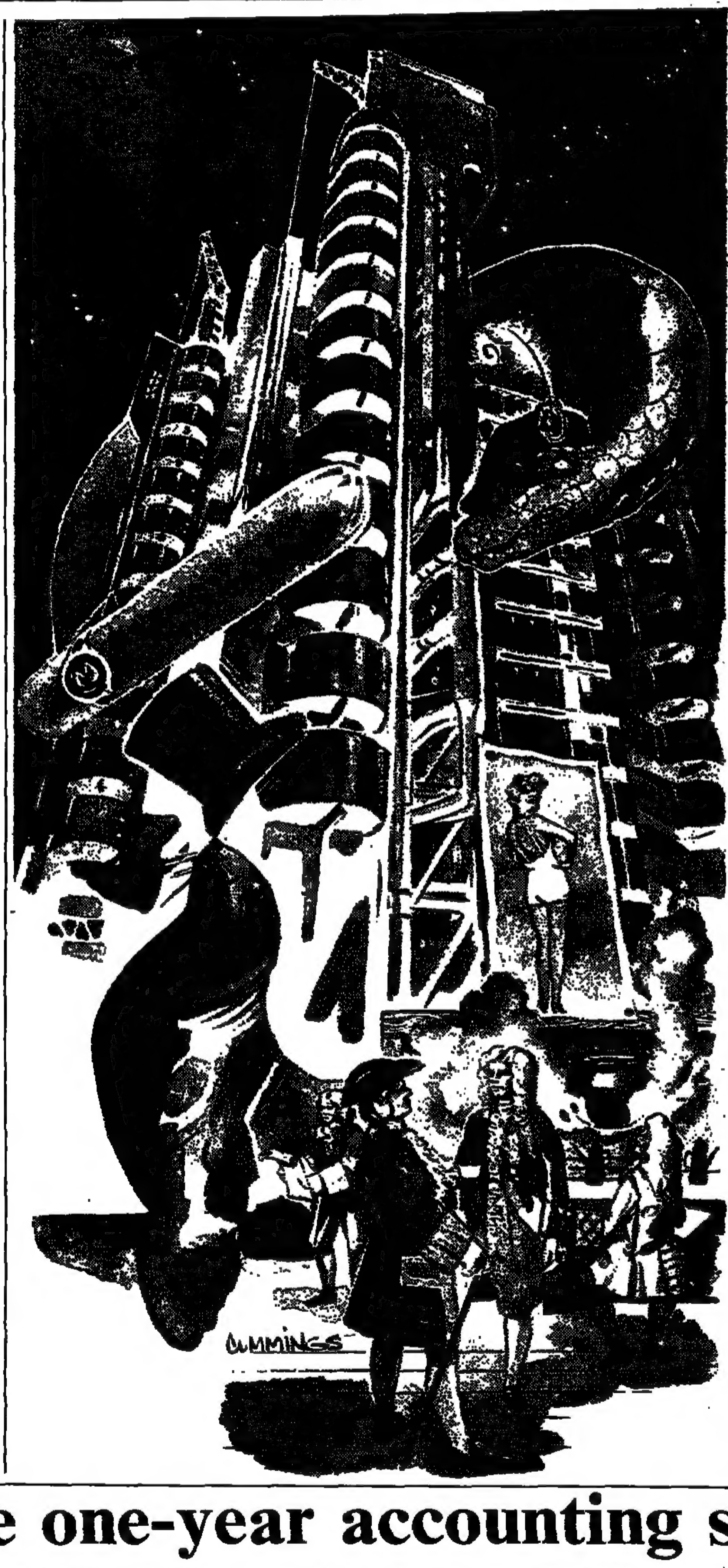
Rejecting mutualisation – in which all Names would pool resources to pay for the losses of those worst affected – the task force suggests that Lloyd's must seek to trade out of its difficulties.

That strategy "implies maintaining a steady pattern of profitable growth, enabling existing Names to pay their losses from future profits while attracting new capital to the market to participate in new business". In addition, it suggests that CentreWrite, the reinsurance company created by Lloyd's in July last year, should shift its focus away from reinsuring syndicates with open years towards reinsuring individual Names.

Accordingly, Lloyd's will need to develop technical mechanisms releasing individual Names from syndicates.

The task force suggests a reversal of policy on syndicates unable to close years. Instead of pressing syndicate managers to close years, as Lloyd's does at present, it should accept that leaving a syndicate open provides "the most pragmatic response to grave uncertainties such as *major latent* liability exposures".

Richard Lapper



Twenty points about Lloyd's

■ 1 1688: First mention of Edward Lloyd's Tower Street coffee house. It moved to Lombard Street in 1691.
■ 2 Lloyd's became gambling den in 1700s. Sample bets: the survival chances of those on death row, or famous people on sickbeds.
■ 3 1769: Scandal and corruption led some underwriters to persuade waiter Thomas Fielding to set up breakaway Lloyd's in Pope's Head Alley. The new one survived.
■ 4 There are now 22,500 Names – 22.5 per cent are women, 20 per cent foreign and one is stateless.
■ 5 Most important document in Lloyd's history was signed in 1771. It set up ruling committee, which survives to this day, albeit with increased powers and duties.
■ 6 Lloyd's first constitution, The Trust Deed, was written in 1811, after secretary John Bennett failed to pass on information that would have allowed underwriters to avoid losses during Napoleon's Baltic blockade.
■ 7 Lloyd's home The Royal Exchange burned down in 1838. Chairman, George Richard Robinson, moved business to Jerusalem coffee house and trading carried on next morning.
■ 8 In 1874 Henry Hozier set up signal stations that gave Lloyd's a virtual monopoly on shipping information. Hozier later resigned over extravagant expenses, spending more than £25,000 on luxurious trips around the world.
■ 9 Lloyd's Act was passed in 1871, when underwriter A.B. Forwood made £500 on insider information that a ship, the Venezuelan, was only slightly, not badly, damaged. Act gave sanctions under criminal law against crooked members.
■ 10 Asked to give any kind of cover, Cuthbert Eden Heath, father of the modern Lloyd's, commonly replied: "Why not?"
■ 11 Not liable for all damage in the San Francisco earthquake, Cuthbert Heath secured Lloyd's reputation by cabling agent: "Pay all our policyholders in full."
■ 12 Many Names stood to be ruined in 1954 by underwriter Alec Wilcox who had been falsely accounting for years. The committee bailed them out, establishing an important precedent that qualified unlimited liability.
■ 13 Film stars covered by Lloyd's included Betty Grable and her "million-dollar legs".
■ 14 Cromer committee of 1969-70 recommended that Lloyd's allow women, foreigners and the less well off to become Names.
■ 15 In 1973 Sylvia Horsey became first woman underwriter.
■ 16 A body blow to the Lloyd's reputation for paying without quibbling came in 1975 when business done by underwriter Tim Sasse left Names liable for $40m – 63 refused to pay and sued.
■ 17 Loch Ness monster insurance was written for a film company that wanted cover against a real monster appearing during production.
■ 18 Gemini, sealion star of the BBC's Animal Magic, visited the market in 1982 and was filmed at the box where her cover was underwritten.
■ 19 The world's largest cigar, 12½ ft long and retailing at £17,933.35, was insured for a premium of 50p. To finish the cigar would require 339 days and nights of uninterrupted smoking.
■ 20 About 100 of the 360 underwriters earn more than £250,000.

Market operators urge one-year accounting system

MORE THAN two thirds of submissions to the task force from operators in the market favoured a change from the three-year accounting system to one-year accounting. Change had been expected, but the task force recommends that three-year accounting be retained.

The task force maintains that a one-year basis would lead to inaccuracy and would be inconsistent with the need to preserve equity between Names on successive years of account.

It says also that many competitors to Lloyd's in the company market in specialised insurance sectors – such as marine, aviation, transport and treaty reinsurance – use a two-year or three-year accounting system. The three-year system reinforces the view of Lloyd's as a long-term commitment.

The task force says more information is needed about the development of an account. It recommends publication of a global profit forecast after 24 months of the account, and publication of a syndicate's solvency position in the annual accounts.

● One Lloyd's handicap in the past has been its inability to respond rapidly to rises in insurance rates. The report suggests that Names should be allowed to increase the amount of insurance they underwrite in mid year.

The report says premiums for quota share reinsurance with insurance companies – in which a reinsurer accepts a proportion of business in return for a proportion of the original premium – should be deductible from a syndicate's premium income limit, up to 25 per cent of a syndicate's normal premium limits.

Lloyd's syndicates make extensive use of reinsurance. In 1988, they ceded 37 per cent of gross premiums to reinsurers. Under the present system of premium limits, though, a Name's underwriting limits are based on gross premiums (not taking into account reinsurance ceded).

The proposal would in effect allow syndicates to co-operate with outside reinsurers to do more business without increasing their capital base. The report adds that consortium arrangements – where Lloyd's syndicates and companies co-insure certain risks – should be encouraged.

Other recommendations:

● Improved accessibility of Names' capital.

● Close monitoring of market liquidity.

● Individuals to be allowed to apply to become Names at any point during the year.

● Managing agents to be able to state in mid year that they do not foresee a syndicate utilising total capacity for that year and to reduce each Name's line pro rata.

● Encouraging consortium arrangements between syndicates and companies, with Names benefiting from any fees or commissions received from the consortium.

Global profit forecasts for the market as a whole should be published by the corporation after 24 months of the account.

● The council, with professional advisers, to consider proposals to permit explicit discounting of old-year liabilities.

● More centralised management of old-year claims, and a working party to develop a detailed proposal for an old-year claims centre of excellence.

● Investigations by the council into any mergers that would result in a managing or member's agent controlling more than 25 per cent of capacity, with a view to preventing any merger not in the interests of Lloyd's.

● Endorsement of profit commission "clawback" in the event of prior-year deterioration.

● A working party to develop detailed "best practice" guidelines to establish tighter budgetary discipline, more openly negotiated fees and expenses, and greater disclosure.

● An independent chairman for the agent review body.

● Guidelines for competence in the agency system, similar to those for new active underwriters, to be developed by the Lloyd's Underwriting Agencies Association and the corporation.

● Specific qualifications for managing and members agents.

● Mandatory non-executive board members for all agents.

● A review process of involvement of non-executive directors in approving remuneration levels within the agency.

● The council to endorse target expense ratios and report progress towards reaching them.

● A project to evaluate options for minimising run-off costs.

● More information on cost trends within the market.

● A detailed annual market expense review to enable cost comparisons across agents and syndicates.

● Market associations and the Lloyd's Insurance Brokers' Committee to develop proposals to refine the broker remuneration structure to create "a clearer match" between broker incentives and Names' interests.

● A joint initiative to assess profitability along the total underwriter-broker chain in selected areas of business.

● An investigation into the feasibility and cost of initiating a quality management programme across key processes within the market-services area.

● Greater liberalisation in procedures, especially production of documentation.

● The council should work towards a future in which market infrastructure is identical across the bureaux of the entire London market.

● Publication of the percentage of business placed by Lloyd's brokers into the Lloyd's market.

● If a managing agent can accept the additional responsibility and can demonstrate adequate control systems, the service company should be able to deal directly with non-Lloyd's brokers in the UK without interposing a Lloyd's broker.

● Lloyd's syndicates with an overseas presence should be free to deal direct in the local market with broking groups of international standing, whether Lloyd's brokers or not.

● A concerted marketing drive to expand the community of Lloyd's brokers.

● Reversal of divestment provisions in the Lloyd's Act 1982.

● All business issues to be debated and decided at a new Lloyd's market board, which could act cohesively on behalf of the market.

● Regulatory responsibility should be vested in the Regulatory Council, consisting of individuals drawn from the constituencies at present represented on the council as well as an appointed head of regulation. A transitional structure is a matter of urgency.

● The chief-executive post should be split into a chief executive for the Lloyd's market board and a head of regulation.

Richard Lapper

THE LLOYD'S REPORT – NEWS AND REACTION

Call for costs to be cut 'dramatically'

By Tim Dickson

RESEARCH by the task force shows that Lloyd's lost its traditional cost competitiveness in the 1980s and that firm action will be needed if attractive returns are again to be delivered.

Mr David Rowland, the insurance broker who chaired the task force, wrote to Mr David Coleridge, the Lloyd's chairman, ahead of its recommendations: "At almost every level, the Lloyd's system of raising and servicing capital and transacting business has become too costly. Expense has to be reduced dramatically."

Some factors driving costs up were admittedly out of the market's control – and a turn in the insurance cycle would obviously improve ratios – but the message conveyed by the report is straightforward. Lloyd's expenses are about 30 per cent too high, even allowing for a strong upturn in markets.

The real difficulty is not so much brokerage costs which, inter-syndicate reinsurance apart, have not grown relative to gross premiums written.

The cause appears to be the £770m of costs in 1990 covering the corporation, the syndicates, agency fees excluding profit commissions, and Names' contributions to the central fund.

Those represented 13 per cent of calendar-year premiums, compared with 7 per cent in 1982. The growth rate of the market's costs over this period was 18 per cent a year in nominal terms, or 12 per cent after allowing for inflation. Direct syndicate costs – syndicate expenses excluding charges from the corporation – grew by 19 per cent a year over the period.

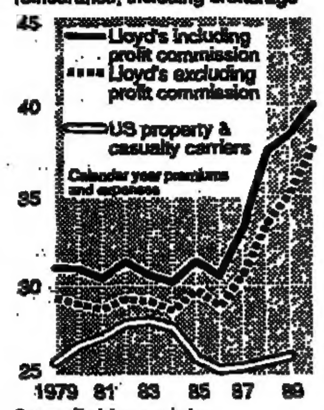
The report points out that although corporation costs have risen, their absolute growth is relatively small.

The insurance cycle aside, three structural difficulties are identified.

One is the additional cost of regulation, which led syndicates to install more detailed record-keeping and risk-control systems in the 1980s.

Expense ratios

% of premiums written, net of reinsurance, including brokerage



Source: Task force analysis

The task force believes the cost of regulation will become less burdensome now that those are in place.

The second is that there has been a sustained decline in productivity. The threefold increase in the Lloyd's head count since the mid 1960s compares with a 45 per cent rise in real premiums.

The long-term decline became most marked in the late 1980s, when cost growth continued at a high real rate and real premiums fell.

The company sector, by comparison, appears to have improved productivity, holding expense growth below premium growth in the 1980s.

The final issue facing the market has been lack of tight cost discipline. That can be blamed partly on the bull market in mid decade. The absence of keen competition between agents over fee levels and poor information were also responsible.

The task force sets a 30 per cent overall cost reduction target. That is consistent with a pre-tax return to Names of about 5 per cent of premium income limits. It aasumes that underwriting results and investment income in future are in line with the 10-year average between 1979 and 1988.

David Rowland, task force chairman: believes Lloyd's expenses are 30 per cent too high

Parties divide over proposals

By Ralph Atkins

LABOUR was dismissive yesterday of the task force report, but among Tory MPs, many of whom are underwriting members, there was a cautious welcome.

Ms Marjorie Mowlam, Labour's voice on the City, said Lloyd's had had the opportunity to take a "decisive first step" in rehabilitating its reputation. "That opportunity has been missed," she said.

Labour wants Lloyd's controlled under a regime similar to that applying to other parts of the City under the 1986 Financial Services Act, including its provisions for compensating investors.

Ministers are privately concerned about Lloyd's future, particularly in competing with other European financial centres, but believe its management is an internal affair. Officially, the Department of Trade and Industry would yesterday only welcome the extent of the task force's work.

Legislation needed to implement the report's proposals would probably be undertaken under the private-bill procedure rather than as government-sponsored business.

Tory MPs will watch the reform proposals carefully. In spite of widespread concern at the extent of recent losses, including some incurred by Tory MPs, most accepted that unlimited liability had to remain an integral part of Lloyd's.

Scheme to help Names gains mixed response

By John Authers and Andrew Jack

PROFESSIONALS IN the Lloyd's insurance market generally reacted positively to the recommendations of the task force yesterday, but many doubted whether the recommendations would help Names already in financial difficulties.

The welcome was cautious, however, as brokers, underwriters, advisers and Names – the individuals whose wealth underpins the market – struggled to digest the 240-page report.

Mr Max Lebrain, managing director of Grimston Scott, a tax and financial adviser to Lloyd's Names, said late in the afternoon: "I have to admit I'm only on page 52 at the moment. But what is encouraging is to see the Council responding in a positive way."

Mr Chris Burton, joint managing director of A.J. Archer, a quoted underwriting group, said: "It's a very comprehensive document. My immediate reaction is, it's a breath of fresh air for the whole marketplace. The whole concept of the report is getting back to the commerciality of Lloyd's. I welcome the growth in the number of Names, and that the capacity is being maintained for individual Names."

He also welcomed the importance given to the Names and enhanced links to brokers, whom he called "the life blood of the market". He did not feel the new rights for Names would make managing agency business less attractive.

Mr Ken Carter, chief executive of insurance broker Lloyd Thompson, was particularly pleased with the reaffirmation of the partnership between brokers and underwriters.

He added: "The report is not very radical. It is what one would have expected. The original aim was to look at Lloyd's capital base. That has moved slightly into the background."

The proposal to allow Names to reinsure their "open years" with CentreWrite, in particular, had a lukewarm reception. Mr Mike Voller, Lloyd's specialist with the accountant BDO Binder Hamlyn, which advises about 1,000 Names said: "If they can afford that, they can probably afford the losses."

He added: "I can't see an awful lot of people taking that out because of the level of premiums which is likely to be charged."

Mr Mark Farrer, chairman of the Association of Lloyd's Members, which represents 9,500 Names – 40 per cent of the total – was more positive about the proposal. "I think the proposals for CentreWrite are going to be extremely useful for Names, because nobody at present is really prepared to assess the individual risk. I don't doubt that what is proposed is an excellent idea.

"Proposals like this underline the importance of the providers of the market's capital and go a long way towards correcting an imbalance between Names and syndicate management." He recognised that Names suffering losses from the old years "will not find a panacea in the proposals".

Brokers were generally enthusiastic. Mr Alan Colls, chairman of the Lloyd's insurance brokers committee, and chairman of Nicholson Chamberlain & Colls, a Lloyd's brokerage said: "The instantaneous applause that David Rowland received when he made his presentation said it all. I think the report has the balance about right. It has to be about the art of the possible. I am glad to see support for the broking community."

Mr Tom Benyon, chairman of the Association of Lloyd's Names, was positive, but added: "It's done nothing to help the injured Names, of which there are 6,000. Many of them are in great financial difficulties already, and it's going to get worse this year. Names who are suffering this year ain't seen nothing yet."

He welcomed the report's recommendations for the future. "It's a first-class, imaginative report, and I'm sure it will lead to a profitable future. For the first time in its 300-year history, it's putting the outsiders first, and not the insiders."

Market stays calm as coffee-shop ethos put at risk

Norma Cohen samples the atmosphere during a historic day

FOR all the high-tech 20th-century façade of the Lloyd's insurance market, the heart and soul of the business remains as it was 300 years ago – a bunch of guys meeting in a coffee shop.

The clubby ethos has remained impervious to the sweeping changes that have turned London's other financial exchanges upside down. "We're trying to catch up on 300 years of business," said Mr Reg Brown, underwriter at R.E. Brown syndicate. "Up until now, Lloyd's syndicates haven't regarded themselves as businesses."

Unlike the sometimes frenzied trading floors of the world's leading equities and commodities exchanges, Lloyd's on a busy day consists of dark-suited brokers patiently lining up at underwriters' "boxes". Even on the day of the market's greatest single disaster – the destruction of the Piper Alpha oil rig in the North Sea – unflappable brokers went about business in the usual fashion.

Yesterday, as one of the biggest reform packages ever proposed was announced, business proceeded as usual. Early in the day, syndicate heads and senior officials were called to a briefing, leaving underlings to rely on the rumour mill for information. "We're waiting to read it in the papers tomorrow," said a clerk at one underwriting syndicate.

Seated or kneeling, brokers daily bargain with underwriters, hoping to persuade them to accept a portion of risk in return for the smallest possible fee.

Oil rigs, satellites, ships and international trade transactions are all assets that can be destroyed at any time, causing devastating losses for owners. Underwriters bear those losses if they occur and charge a fee for their risk.

Recent losses have been so great that 20 per cent of Names are pulling out of the market, so underwriters and brokers yesterday hoped the proposed reforms would reverse the loss of capital. But long-time members remain cynical.

"Do you know the best way to stop the haemorrhage of Names? Make a profit for them," said one underwriter, whose view was echoed around the market. "Nobody was screaming for reform when everyone was making a profit."

Overall, there was relief at the proposed cap to be placed on the personal liability of Names, who now may risk all their personal wealth. "For unlimited liability, they should be getting a 25 per cent return on their money every year," said one underwriter. "They've only been getting 10 per cent and you can get that out of the stock market."

People in the market used to think they were "bomb-proof", Mr Brown said, but the market was finally taking a more businesslike view of itself. "I have always said to my lads: 'We're nothing more than a sweet shop.' If we don't open up in the morning, we don't sell sweets. If we don't sell sweets, we don't make a profit."

And the "lads" at Lloyd's are getting the message.

For all its significance in the world's insurance business, however, the revolution of the 1980s appears to have touched Lloyd's little in many key ways. For example, the number of female underwriters can be counted on one hand.

MANAGEMENT: Marketing and Advertising

Soft drinks

The ascent of Everest

Alan Friedman on Coca-Cola's plans for a new global sales assault

Somewhere in the outer reaches of the Himalayas, a small and specially-trained band of Nepalese sherpas has found a new vocation. Coca-Cola, the biggest soft drinks company in the world, has hired the sherpas to lug cases by backpack up to the lodges where mountain travellers rest.

Meanwhile in Moscow, Coca-Cola is today teaming up with Gavriil Popov, the city's free market-oriented mayor, to announce the formation of what is claimed to be the first fully-private joint stock company in Russia since the formation of the Commonwealth of Independent States.

The Moscow venture, a privately-owned business that will manufacture syrup and establish up to 2,000 retail outlets in the city, is part of Coke's assault on the eastern Europe market, a stronghold of arch-rival Pepsi-Cola.

In India, Coca-Cola is planning a joint venture that would bring it back to the populous sub-continent for the first time since it left in 1977, after a dispute with the government.

Each example demonstrates Coke's drive to strengthen its international sales volume. It recognises that distribution plays as great a part in a successful marketing strategy as the the traditional concepts of advertising, promotion and other marketing techniques.

It is all part of a master plan described by Roberto Goizueta, Coca-Cola chairman, in Olympian terms: "By the year 2000, we will have Coca-Cola available within an arm's reach of desire of the 6bn people who will be housed on this planet."

Donald Keough, Coke's president, says the corporate goal is to double total non-US sales volume by the end of the 1990s, meaning the company will have to do better than keep pace with the market.

Surprisingly, Jesse Meyers, editor of Beverage Digest, the industry's bible, thinks that this is not a wild objective: "At this point, I don't think even Coca-Cola knows how big it could become."

Coke is already the world market leader in soft drinks, with a commanding 46 per cent share that compares with Pepsi's 15 per cent. In the competitive and more mature US market, Coke has 41 per cent, and Pepsi has 33 per cent. Outside the US, Coke claims it sells four times as many cases as Pepsi, while Pepsi insists the ratio is three-to-one.

For much of the 1980s, the marketing focus of Coke and Pepsi was on the famous cola wars, on Coke's rapidly aborted change to its formula in 1985 and on the high growth US beverage market.

Cola wars continue in the US, with Pepsi now aiming for the younger market segment, but profit margins are higher in the European Community and much of the Pacific. Allan Kaplan of Merrill Lynch says that non-US markets offer the best sales growth potential, which is not surprising since Coke's US volume grew by just 2-3 per cent last year.

In 1985, about half of Coke's operating profits came from outside the US. Last year, non-US soft drinks accounted for about 79 per cent of Coca-Cola's operating income and two thirds of volume.

Coke spent $3.2bn (£1.78bn) on selling and advertising expenses worldwide in 1990. Of this total, only $832m was spent on traditional advertising in the media.

Coca-Cola declines to break down its marketing expenditure outside the US; Pepsi spent $500m last year outside the US. But all of Coke's top executives in Atlanta – each of them sipping incessantly from ice-cold cans of their product – agree that while their brand name may be among the best known in the world, the real challenge is to create the bottling, manufacturing and distribution infrastructures in each market.

In 1992 Coke will boost capital spending by 30 per cent, to around $1.3bn, much of which will pay for the development of bottling plants and other infrastructure.

Nowhere is distribution more important than in eastern Europe, where thanks to a Nixon-era deal, Pepsi-Cola outsells Coke. Neville Isdell, the man who negotiated the new Moscow venture, says the best marketing of Coke in newly emerging east bloc democracies "is to get a bottle on the shelf".

This is in keeping with Coke's fundamental marketing strategy, known in Atlanta as "the three As", or availability, affordability and acceptability.

The company's goal is to drive volume by selling concentrate or syrup to local bottlers, be they independent or joint venture partners. Local distribution deals are designed to make the product available. It is priced to make it affordable as a proportion of disposable income. Acceptability comes through sponsorships, political contacts, or other means, to infiltrate Coca-Cola into the local culture.

Depending on the country, Coca-Cola will approach marketing differently. In China, where Coke has 13 joint venture plants and is prepared to wait many years before it gets any money out, marketing means buying delivery trucks rather than spending on advertising.

In Japan, Coke last year spent $500m on 130,000 vending machines, as half the drinks there are sold that way.

In much of Latin America, the key to marketing is for Coke to supply ice coolers for the rural markets. In the Dominican Republic and Haiti, Coke bought 10,000 push-carts and trained local people to sell soft drinks in the street. In Brazil, the key was to make larger bottles in order to take advantage of that market's changing consumer habit.

The biggest marketing coup in eastern Europe has been in what used to be east Germany, where Coke was not available under the Communist regime. The day the Berlin Wall came down in November 1989, executives in Atlanta ordered Berlin employees to hand out free cans of Coke to east Germans as they walked into west Berlin.

By February 1990, without any distribution network in place, Coke began trucking cases into eastern Germany from its French bottling plant in Dunkirk. During the year, some 21m cases were sold to wholesalers and retailers by an army of employees from the west.

At the end of 1990, Coke decided to spend $450m in east Germany buying and refurbishing the land, buildings and equipment of state-owned bottling plants. The result is that in 1991, Coke says it sold 89m cases in the old east Germany and is aiming for sales of 139m cases in 1992.

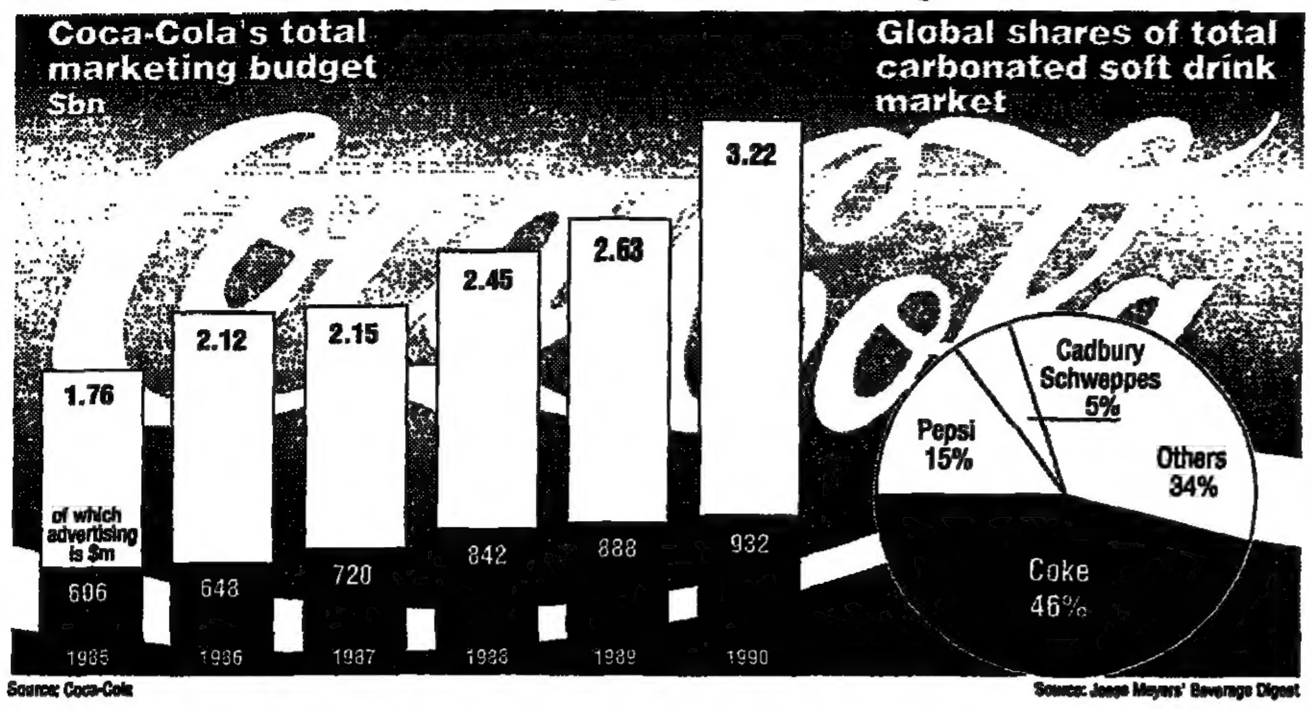
The market represented by the European Community is one of Coca-Cola's most profitable, accounting for around a third of Coke's non-US soft drinks operating income, estimated at $2.1bn in 1991.

But not all EC markets have been easy. France, in particular, has thrown up problems, ranging from past difficulties with Coca-Cola's local bottler to a certain cultural resistance to the product.

This year Coke is undertaking a traditional marketing campaign that aims to reach some 42m consumers by a series of sponsorships, contests and other gimmicks tied to the winter Olympics in Albertville and summer games in Barcelona, the opening of Euro-Disney park near Paris, the Seville Expo, Wimbledon tennis, Tour de France and European Cup in Sweden.

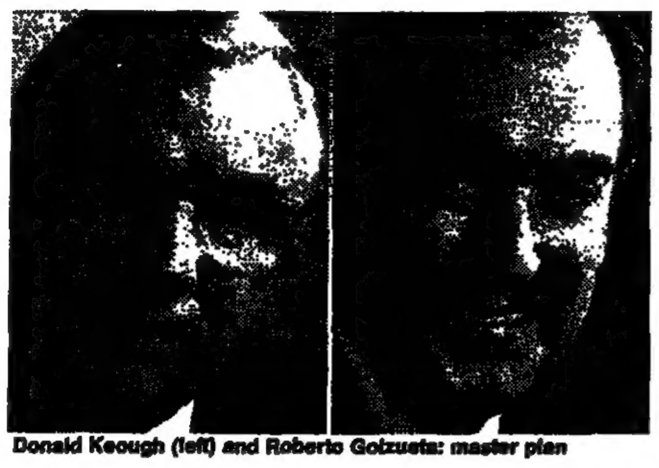
Back in the US, one of Coke's most talked about marketing moves was the agreement last year to hire Michael Ovitz, the Hollywood power broker who chairs Creative Artists Agency, as a consultant. The big idea is that Ovitz will forecast entertainment trends worldwide that will enable Coke to link its products to hits.

The Coke marketing strategy, therefore, is supposed to range from Hollywood to the Himalayas.



Source: Coca-Cola

Source: Jesse Meyers' Beverage Digest



Donald Keough (left) and Roberto Goizueta: master plan

Chewing over the cold turkey

In the 1970's, the Swedish navy set scientists at Lund University a difficult task: how to prevent loss of concentration and irritability among cigarette-addicted submariners who, in the course of duty, were banned from smoking.

Their response was to produce a different way to deliver the essential addictive ingredient of a cigarette – nicotine.

Moral absolutists might argue that the delivery of nicotine by any means should be outlawed. A more practical solution is to switch nicotine consumption from a form recognised to be harmful – smoking – to another believed to be harmless.

Lund university scientists came up with a nicotine-impregnated chewing gum. Nicorette, as the product was christened, was launched in the UK in 1980 and sold under licence by Lundbeck.

But in the UK, at least, Nicorette's distributors found themselves facing a severe marketing setback; the product could only be sold on prescription from a general practitioner.

Unlike conventional family doctor prescription drugs, Nicorette did not carry the benefit of a lower, national health service charge.

Nicorette's aim is to bolster the will-power of the smoker who wishes to give up, but finds it difficult to do so 'cold turkey'.

Chewing the gum releases into the bloodstream small amounts of nicotine which satisfy the craving without being harmful.

So far no nasty side effects have been discovered.

Doctor Chris Steele, a GP who uses Nicorette as part of his anti-smoking clinics, says that in clinical trials around the world Nicorette has doubled the success rate of smokers who wish to give up the habit.

According to Jeff Birkett of Lundbeck, "at any one time in the UK, 6 per cent of the 14m smokers are trying to give up the habit". And 75 per cent will have tried to stop smoking at one time or another.

The marketing headache was finally removed in May 1991, following two years of exhaustive investigation by the Department of Health and other official scientific bodies. Lundbeck succeeded in having Nicorette's status changed from a "prescription-only medicine" (POM) to a "pharmacy product", which could be sold freely by pharmacies.

Lundbeck and Kabi Pharmacia, soon to be responsible for UK marketing, have now initiated an advertising drive for Nicorette, capitalising on its new-found freedom. Kabi plans to spend £3m on UK advertising this year, according to David Hewitt, Kabi's senior product manager.

The first television commercial started running early in January. It takes a humorous look at the fears of would-be non-smokers, done by the cartoonist Gray Joliffe, through the Windsor-based ad agency Miltons. It will be promoting the gum heavily in the run-up to the UK's annual anti-smoking day in March.

Nicorette's commanding lead in the stop-smoking product market is soon to be challenged by such devices as a nicotine-impregnated patch worn against the skin. The irony is that an addiction-propping gum should finally be getting the freedom to advertise heavily when the EC looks increasingly set to ban advertising of its biggest rival – the fag, the cancer-stick, the weed – the cigarette.

Gary Mead

TECHNOLOGY

When London & Edinburgh Insurance's engineers visit garages to assess crash damage, they send the information back to the computer centre so the repair costs can be calculated. At the moment they use either a phone line, with a modem, or the Cellnet cellular radio network.

Soon they could have several other options.

Audatex, the vehicle damage assessment company, is already talking to Huchison Mobile Data, of Hertford, about using its data network for transmitting the information. Hutchison, which is planning to offer commercial services to urban areas and motorways before the middle of the year, is one of several companies to have developed such services.

Others include Cognito, which has developed a two-way paging service, and Ram Mobile Data. Paknet, owned by the Vodafone Group and Cable & Wireless, is also planning to enter the market – it already has a service for sending radio data from fixed terminals, such as credit card verification units.

Such services will prove less expensive than the cellular radio networks because they are designed specifically for data traffic which take up less radio spectrum than voice calls.

Data companies envisage the service engineer as a prime target for their services. Other forms include sales and distribution, as well as financial services for sending information on share price movements.

To use the network a separate modem can be attached to the laptop, pen computer or electronic diary, although eventually the modems will be built into the machines. For Paknet, which launched its service in 1990, products with built-in modems are available.

The biggest customers have proven to be burglar alarm manufacturers. "When burglars come they cut the phone wires," points out John Smith, Paknet's commercial director. "We've had quite a few cases where the burglars cut the wires and the police have come along and caught them."

Computers without keys are proving their worth in business and industry, writes **Della Bradshaw**

Pen is mightier than the board

For many businesses the laptop computer represents the latest in blue-sky technology – tantamount to nuclear fusion or rocket research. No so at the London & Edinburgh Insurance Group, where the most sophisticated laptops are already been edged towards the door.

They look set to be ousted by pen-based computers, electronic tablets reminiscent of a Victorian school slate, complete with a stylus or "pen". They are now on trial with the insurance company to assess the damage claims made by garages for the repair of crashed vehicles. "We hope generally to save time and money," says Clive Fletcher, claims director at London & Edinburgh.

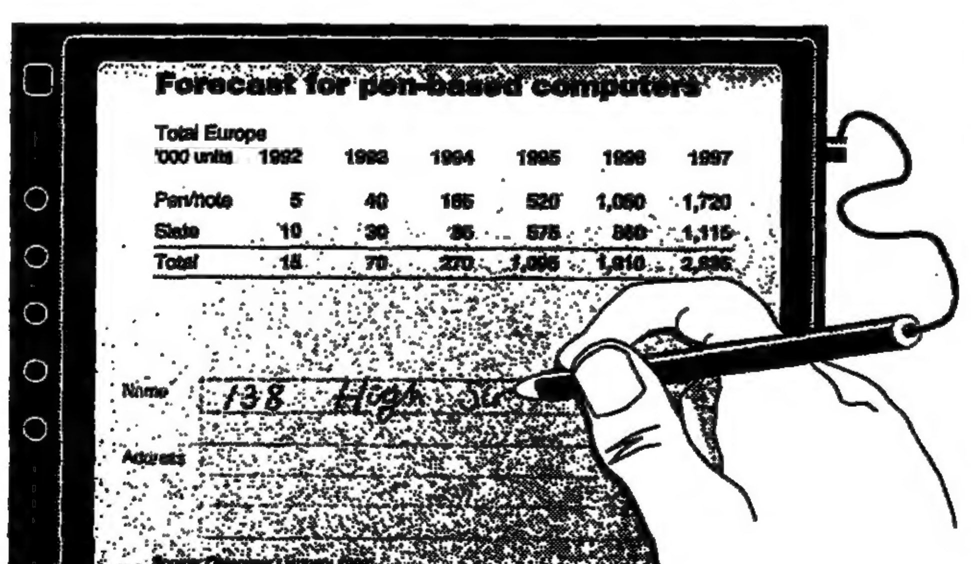
At the moment when London & Edinburgh engineers visit the repair centre they take a laptop computer and a sheaf of report forms which represent the vehicle diagrammatically in an exploded form. The assessor notes the sections of the damaged vehicle which need replacing and marks sections on the report forms.

Code numbers referring to each part are then typed into the laptop and the data are sent over a communications link to a mainframe computer belonging to Audatex, the Watford-based vehicle damage assessment company. The mainframe calculates the cost of parts and repairs, even down to items such as whether the paintwork is matt or metallic. This repair cost is then sent back to the laptop.

The time-consuming part of the operation is transferring the data from the worksheets into the laptop. Geoffrey Sharp, chief staff motor engineer at London & Edinburgh, hopes the pen-based machines will do away with that duplication. "We're engineers and although we've taken to keyboard skills quite well, we're still not that quick at it."

Instead of the worksheets, the trials have put Gridpad pen-based machines, from Victor Technologies, part of the Tandy group, into the hands of the assessors. Displayed on the screen are the expanded vehicle diagrams. But by touching individual components of the car on the screen with the pen, the machine automatically records the parts that need replacing. That data can then be sent over the communications line directly from the hand-held machine.

Sharp believes that the drawbacks in the system are more with the software that the hardware – London & Edinburgh is looking at systems from both Grid and the US computer company NCR. In particular, it has proven impractical to put diagrammatic descriptions of every car on the market on to the Audatex software.



Each expanded diagram takes up about 700 kilobytes of memory, says Alex Leonard, managing director of Audatex. Audatex is now supporting 32 vehicle models on the Gridpad, which includes more than 1,100 derivatives and accounts for about two thirds of the cars travelling on UK streets.

But, says Leonard, repairers should choose about 15 of the cars that they repair most frequently and keep copies of the appropriate diagram on floppy discs. "For example, a Porsche dealer is unlikely to want to repair a Ford," he says.

Bill Clough, president of Microslate, the Montreal-based pen computer maker, believes that the only answer to memory limitation is to use CD-Roms (compact disc read only memory). Then when an accident assessor visits, say, a Ford garage he or she could insert the Ford disc, or replace that with a Toyota disc if visiting a Toyota repair centre.

In North America Microslate is targeting blue-collar workers with its pen computer – delivery men, warehouse overseers, or retail floor staff. "This is because in the US the white-collar market is 95 per cent saturated with computer technology," says Clough. "The blue-collar workforce is only 11 per cent saturated."

In Europe manufacturers take a different view, says Alasdair Macgregor, UK marketing manager for workstation systems at NCR. "Initially we're aiming at the mobile white-collar worker. That is where most corporations can get the best return on their investment." Included on Macgregor's list of professions, which he describes as "very, very, very varied" are engineers, insurance personnel, doctors and even architects.

One software developer working with NCR to produce a package for architects and surveyors is SurvSoft, of Weston-Super-Mare. The company expects to have a system on the market before the middle of this year to aid surveyors when they are called in to refurbish buildings.

The SurvSoft software, now in the final testing stage, contains a visual collection of building components – walls, floors, ceilings, wiring and so on. By touching the appropriate component with the pen, the surveyor can put them together to give an accurate representation of the building in what Pitman calls "two and a half D" – the height, length and depth are included but the diagram has no true perspective. The appropriate measurements are inserted by calling up a calculator pad on the screen and then indicating the appropriate figures.

Pitman points out that at £4,500 for the hardware and software combination the equipment costs about the same as doing a survey of a high-street premise. "As it doubles the speed of the survey we believe it pays for itself after just two surveys," he says.

Such applications could speed the acceptance of pen-based systems, says Chris Fell, industry analyst at information technology research group Dataquest. "It's an applications driven market," says Fell.

"In the past company X has come out with a wonderful new box and people have bought it. That is no longer the case. Now people see they can get by with all the equipment they've got and that is one reason why we have seen a fall in the personal computer market," he adds.

The software developed by SurvSoft relies on the surveyor only to use the pen to highlight pictures and figures – no keyboard is needed, nor does the surveyor have to write information on the pad. Fell refers to this category of machines as pen and notebooks, and believes this will be the first stage in the development of the technology.

The second stage will be true "slates" on to which the user can scribble words which the system will be able to recognise. Fell predicts it will be 1994 before such systems become reliable enough to find widespread acceptance. However some small handwriting recognition elements are already proving useful.

A further factor which could inhibit the growth of the market is the choice of operating system for the pen systems. SurvSoft, for example, uses "windows" software, enabling the software developer to put pictures or "icons" on the screen. This approach is being pushed by Microsoft with its Pen Windows adaptation of the popular Windows software environment.

Although this will enable users to adapt Windows applications for use on pen-based systems, many believe its life-span will be limited because it is merely the adaption of a desk-top operating system for use with a hand-held machine.

Of more longer-term promise, believes Fell, is the Penpoint operating system developed by Go, the California start-up company, specifically for pen-based portables.

Whatever the outcome, many believe that the emerging pen technology could be the next revolution in computing. "I think this is a piece of technology which is really here to say," says London & Edinburgh's Fletcher. "Not just in our industry but in many others as well."

Barnacles forced to jump ship

By Tim Burt

On a summer's night in 1988 a fireball engulfed one the largest oil platforms in the North Sea, the Piper Alpha, killing 167 workers and throwing burning metal and spouts of fire and smoke into the sky.

The heat from the blaze was so intense that the MSV Tharos, the firefighting vessel assigned to the rig, was forced out of the area.

Survivors of the disaster condemned the reaction of the Tharos, a ship built on the advice of Red Adair, for failing to turn its high-powered hoses on the rig.

Research scientists now claim Tharos was ineffective on the disaster night because its cooling systems were so clogged with marine organisms that it could not develop full power in its engines and firefighting equipment.

The organisms – ranging from barnacles and mussels to microscopic bacteria – flourish in the seawater taken onboard ships through cooling pipes below the waterline.

On the Tharos and other vessels "fouling" by such organisms has been blamed for blocking pipes and jamming valves, causing serious corrosion and leading to a loss of power.

Concerned at criticism of the Tharos, the owners Occidental turned to scientists at the University of Sheffield who have pioneered new technology aimed at preventing the build-up of marine organisms in ocean-going vessels.

Occidental, whose North Sea assets have since been sold to the Anglo-French joint venture Elf Enterprise, abandoned the old anti-fouling system on its firefighting ship and installed equipment developed by Biofouling and Corrosion Control (BFCC), a company which was set up by academics in Sheffield under a technology transfer scheme.

Led by Brent Knox-Holmes, the BFCC team discovered that they could nearly eliminate fouling in pipes by creating an electrolysis in the sea water using a metal oxide electrode producing chlorine and a copper electrode producing copper ions.

The current from the metal oxide electrode converts the sodium chloride – or salt – in seawater into chlorine, which deters marine organisms.

The scientists found the chlorine acted in synergy with copper ions from the other electrode to disrupt any further settlement of algae or molluscs.

In the past, fouling was controlled by either dousing pipes with large amounts of sodium hypochlorite – a hazardous chemical not easily stored at sea – or dissolving copper directly into the water, an expensive and environmentally damaging solution.

Following commercial tests at laboratories in the UK and US, the BFCC system has been adopted by AP Moller, the Danish shipping line, which has fitted 21 vessels with the new copper-chlorine treatment. According to Knox Holmes, the Danes were attracted by the low environmental impact and reduced maintenance costs of BFCC.

He claims the BFCC system is 90 per cent more efficient than dousing with sodium hypochlorite and 80 per cent better than using copper on its own.

His arguments have convinced not only the environmentally-aware Scandinavians (Fred Olsen Line and J Lauritzen Shipping are using BFCC too) but also industrial concerns such as Amoco and Conoco.

Orders from the two oil exploration companies have marked the successful divergence from anti-fouling on ships to other applications. Amoco has fitted BFCC equipment on four gas platforms, while Conoco uses the system on three oil rigs.

With patents awarded in Britain and the US, and others pending in the Far East, the academics at BFCC are now looking at ways of adapting their system for power stations, desalination plants and fresh water use.

"We are setting new standards for biofouling control," says Knox-Holmes.

"Had the MSV Tharos had our system installed at the time of Piper Alpha, it might have developed full power to hose down the rig," he adds. "Our system is not just cleaner but safer."


PANASONIC'S PROMISE
PROVED IN PRACTICE.
Broadcasters had been looking forward to the benefits of digital VTRs for years. But when would it become reality? And could it really happen in a compact format using ½" tape?
The last two years tell their own story.
January 1990. BBC Television go to Japan and see for themselves the very latest developments in Digital Broadcast Technology.
April 1990. A special Project Team is briefed to evaluate every aspect of Panasonic's new D-3 ½" Digital Broadcast video format.
August 1990. All tests completed satisfactorily, the Project Team recommends the adoption of the Panasonic format for BBC Television.
September 1990. The decision is ratified and announced at the IBC Exhibition in Brighton.
December 1990. BBC Television place their first order with Panasonic.
November 1991. After 9 months of using the new D-3 ½" Digital VTRs with progressive integration and commitment, Panasonic's promise is proved in practice. In fact Peter Marchant, Chief Engineer BBC Television, is able to go on record with this comment:
"The format is already in daily service and fully meets our requirements."
D-3 ½" DIGITAL
Panasonic Broadcast Europe

La Fille mal gardée

COVENT GARDEN

Ballets change. No matter with what care a company may seek to preserve its choreographic patrimony, the erosions brought about by the transmission of steps from one dancer to another, from one generation to another, bring mutations in text and style. Technique changes; bodies change, and worst of all, those nuances of feeling wherein lies the spirit of the choreography, are lost or distorted. Frederick Ashton was really only interested in first casts. What happened to his ballets after them was an inevitable process which subtly altered, and perhaps diminished, his creation. Yet managerial good sense has dictated that his ballets must be seen on fresh bodies every year. The task for the new casts is not only to preserve the letter of the text (which, by itself, killeth) but to honour the work's spirit (which giveth life).

La Fille mal gardée is, more than any other Ashton creation, is plainly a cast-iron, change of cast-proof, ruin-proof work of genius. Its structure is a marvel of integration between ensemble and solos. Its narrative is taut, as grounded in good sense as a Molière comedy, and as rich in human feeling. Its dances seem an effortless outpouring of pastoral delight – and the testimony of members of its first cast suggests that its creation was of the happiest. Looked at dispassionately its virtues are superabundant, and unflawed: there is not a dull or unnecessary step in it, nor a moment when the attention is sated by dance or drama.

Happy, then the young inheritors of its leading roles, as we saw on Monday night when Fiona Brockway and Tetsuya Kumakawa took the stage for the first time as Lise and Colas. Both are bright, gifted artists who find much to engage their talents in *Fille*, and much to delight us. They both play for quick, vivid physical effects. Understandably, they see their debuts in terms of physical hurdles to be sunnily overcome, and there were many rewards in Miss Brockway's buoyant, sparklingly accented point-work – like the easiest coloratura – and in Mr Kumakawa's bounding virtuosity and in his multitudinous pirouettes (I fancied that he turned nine in the last act coda). Dramatically these performances were lively. Miss Brockway is Widow Simone writ young, with temperament and to spare: there is no doubt about the ardour that Kumakawa's Colas feels for Lise.

Yet I was most touched by both performers in the very closing scene of the ballet, when Miss Brockway became gently adoring in Colas's arms, then moved with a lovely spaciousness through her final solo, and when Kumakawa suggested the intense happiness that Colas knows now that Lise is his. Such joint sincerity and sweetness of feeling was the quality that marked these characters in their creation by Nerina and David Blair, and it is the life-giving spirit of the ballet.

From Iain Webb an Opera House debut as Alain marked by real depths of emotion. He gives the simpleton a puppyish eagerness and incomprehension of worldly ways which generates true pathos in the moment when he discovers Lise and Colas in each other's arms. From David Bintley and David Drew their customary fine readings of Simone and Thomas. From the company, splendid dancing.

Clement Crisp

CINEMA

Interlocking hearts face difficulties

FRANKIE AND JOHNNY
Garry Marshall

MISSISSIPPI MASALA
Mira Nair

LITTLE MAN TATE
Jodie Foster

FREDDY'S DEAD: THE FINAL NIGHTMARE
Richard Talalay

DERSU UZALA
AKIRA KUROSAWA

"Frankie And Johnny were lovers, Frankie and Johnny..." And there memory fails me. What else *were* Frankie and Johnny? What else did they do in their short but chart-topping lives?

According to *Frankie And Johnny* the film, their pop song fame created the *coup de foudre* conditions whereby Al Pacino as a short-order cook called Johnny met and fell in love with Michelle Pfeiffer as a plain (sic) waitress called Frankie. The scene is a Brooklyn greasy spooner called the Apollo Cafe. Here hamburgers and eggs-n-fries and patty melts keep whizzing past director Garry Marshall's camera as if to show that two hearts in love had better get a move on if their arteries are not to clog up first with saturated fats.

Meanwhile down in the Deep South in *Mississippi Masala*, directed by Mira Nair of *Salaam Bombay*, two more hearts try to interlock in the face of difficulties. Mina (Sarita Choudhury), an Indian girl from Uganda, loves Demetrius (Denzel Washington), a black carpet cleaner from Greenwood, Mississippi. But tribal factionalism is rife in the South, even among immigrant brethren. So a one-night passion in a motel brings the young couple's dynastic worlds crashing around them. Aunts and uncles throw fits and brothers and cousins throw fists.

Each of these love stories sets its alarm clock by the "two hours' traffic" (give or take five minutes) of Shakespeare's influential *Romeo And Juliet*. But while this is a short time in which to watch passions flare and clans clash in old Verona, it seems like forever when watching trumped-up screen romances where Love's Tragic Obstacle, hereinafter referred to as LTO, seems either non-existent (*Frankie And Johnny*) or politically contrived (*Mississippi Masala*).

Hollywood – meaning *Frankie And Johnny* – specialises in invisible LTOs. As a critic you have to hit yourself over the head with your press handout to remind yourself that Michelle Pfeiffer is meant to be unattractive; hence the hesitancy and "last chance" element in her romance with Mr Pacino. For the poor girl, we are told, has not had a serious date in three years. (In Terrence McNally's original stage play Frankie was played more plausibly by pudgy Kathy Bates of *Misery*).

So please ignore Pfeiffer's Gene Tierney bone structure and perfect lips and concentrate on her hair. This has been made telegraphically dowdy. Except when she curls it for a mid-movie night out and looks fit to slay *le tout* Brooklyn. For this occasion her gay flatmate also picks out for her the One Wearable Frock in her wardrobe, another slayer of course, hereinafter referred to as the OWF. But love is blind. Peering through the New York night or through the Apollo Cafe steam as he swings his big cucumber chopper, Mr Pacino, acting with a charm far beyond the call of duty, sees only an ugly duckling awaiting his transformative kiss.

Of course the OWF helps to overcome the LTO – except that we keep forgetting what the LTO is, having been socked between the eyes by the form-fitting OWF – and Frankie and Johnny end up effecting the destined emotional merger.

The film, I may have indicated by now, is almost completely dotty. When not focusing on Mr P and Miss P, director Marshall (late of *Pretty Woman*) whirs around the cafe taking in such only-in-a-movie lovables as owner Hector "I breeng you all the way from Greece" Elizondo and his wife; easy-lay waitress Kate Nelligan, plus heart of gold; and assorted wacky customers. And just when you think sentimental folly can go no further, we have Mr Marshall's one bid for stylistic virtuosity. This is a tender-talking street scene between Pacino and Pfeiffer in which the couple's words sonically dissolve into music while a florist's lorry behind them opens up to reveal a million flowers. Oohh. Aahhh.

Mississippi Masala is, as one would expect from the British-produced item in the week's romantic twin-pack, at once more serious and less fun. No Hollywood schmaltz, no peak-condition screen goddesses playing plain Janes. The LTO is racial bigotry and OWF stands not for One Wearable Frock but for Only Way Forward. The OWF in the world today, as Sir Richard Attenborough has so often told us, is for creeds and colours to unite. And here is Sir R's very own *Cry Freedom* star Denzel Washington playing the nice black boy who will rescue our Ugandan-Indian heroine from the coloureds-versus-coloureds prejudice of his and her families.

A running joke is provided for American audiences, who need of course to be told what an Indian is. So people keep saying "Send them back to the reservations" and Mr Washington keeps saying "How many times I got to tell you, they're not that sort of Indians." And so the long day wears on. Unlike *Salaam Bombay*, Mira Nair's new film is painfully alphabetical in its guide to modern-day race attitudes and painfully contrived in the way it routes its central romance through the appropriate stations of bigotry. In Sooni Taraporevala's screenplay the message clearly took shape first, the plot and the people second: always an error in priorities.

*

The week gets worse, I fear. *Little Man Tate* is the directing debut of actress Jodie Foster. She also stars as the mother of an infant prodigy (Adam Hann-Byrd) who could read at one, write poetry at four and play the piano at competition level at six.

We meet him at seven, which should be about drinks time in a life as hard-working as this. But despite Miss F's profession as a cocktail waitress – somewhere in Chinatown to judge by the Shanghai Lili dress she wears to and from work – the boy is a goody two-shoes and so, alas, is the film. Like a television problem-of-the-week movie, it slaloms between triumph and tragedy, plinked out with piano music and with lines like "Oh, what have I done!"

This last is uttered by Dianne Wiest as the boy's unthinkingly cerebral teacher-guardian. An ex-prodigy herself, she is America's answer to a Hampstead intellectual. She feeds Fred macrobiotic drinks (he throws up), pushes him into university ten years before his time (he is miserable) and is then surprised that she has a crisis on her hands.

Happily – for Fred, that is, we the audience being too numbed to care – Miss Foster rushes into the waiting emotional vacuum in the last scene and clasps the boy to her bosom. The boy, still the only sensible presence in the film, looks as intelligently frightened as he has throughout. Like us he seems to be thinking: Why are two Oscar-winning actresses running around inside this stalled vehicle trying to make it move by footwork alone? Scott Frank of *Dead Again* wrote the script; the video is due out later this year; you may wait.

Freddy's Dead: The Final Nightmare is the latest and we are assured the last visit from Old Pizza-Face. I have a dreadful feeling that I enjoyed this film. For 90 minutes I was in the presence of a ghoulish janitor who, if he ever met an infant prodigy, would know what to do with him.

This adventures climaxes with a 3D sequence in which various creatures come out from the screen and dip their toes in your 7-Ups. You need to don the cardboard glasses, which I perched precariously on my spectacles, but it is only for ten minutes. Prior to this it is a *walpurgisnacht* for special effects and the plot bravely tries to keep up. I shall miss Freddy Krueger, played here with even more relish than usual, not to mention more pizza toppings, by Robert Englund.

Finally, one from the orthouse. Kurosawa's 17-year-old *Dersu Uzala*, sombre and resplendent, unfurls at the ICA. Made in Siberia, this tale of snowbound friendship between a Russian explorer and a peasant has a rough majesty that keeps out sentimentality and an epic humanism that never keeps out humour. Do not wait for the video.

Nigel Andrews

Michelle Pfeiffer and Al Pacino in 'Frankie and Johnny'

The Distant Sound

GRAND THEATRE, LEEDS

Franz Schreker's *Der ferne Klang*, titled *The Distant Sound* in a new translation by the conductor Paul Daniel, receives its first British production from that boldest of British companies, Opera North. This is an event of some importance, for the work itself is a milestone of German opera during the first decades of the century.

A first opera (Frankfurt, 1912) by a previously little-known 34-year Viennese Jew who was also his own librettist, it had a smash-hit success, which Schreker then capped with those of *Die Gezeichneten* (1918) and *Der Schatzgräber* (1920). Thereafter the tide of fashion changed, and the advent of the Nazis completed the rout of Schreker's reputation with brutal finality: in the early 1930s he was deprived of his high-profile Berlin teaching post, and died of a stroke.

In recent years the re-examination of his music has proceeded apace. *Der ferne Klang* has already turned up in several European cities and two recordings; other Schreker rediscoveries have also been undertaken, which chimes with the growing European interest in the major musical figures of the Austro-German musical culture – not just Strauss and Schoenberg in what may loosely be termed the Weimar years.

On the evidence of Tuesday's Leeds first night, I have to say that the case for the Schreker revival seems not at all proved, let alone won. The most prized feature of the opera was, and remains, its instrumental sound-world – the shimmering, deliquescent, ravishingly blended woodwind-harp-and-celesta sonorities welling up out of the orchestra pit whenever the opera's central male figure, the composer Fritz, is depicted in obsessive search for the "distant sound" that represents his artistic inspiration. Wherever this recurs, particularly in the opera's opening and closing stages, the aura of late-Romantic rapture proves enduringly potent: Schreker seems to fuse the worlds of Debussy and Strauss.

Elsewhere, I fear, we are left with little more than a pre-Hollywood penny dreadful. Fritz abandons his village sweetheart Grete, who sinks into prostitution; in Act 2 she's the top attraction of the Casa di Maschere, a Venetian brothel – Fritz encounters her there, for reasons never made clear, and spurns her. In Act 3 she turns up, now a shabby streetwalker, for the premiere of his unsuccessful new opera, *The Harp*, and they are reconciled – mortally ill, he dies still searching for the proper completion of his opera, rather like Zivny in Janáček's roughly contemporaneous *Osud*.

Though these and other scenes are built up with recourse to original and sophisticated effects – clearly the use of onstage band and piled-up simultaneities was to work a strong influence on the writing of *Wozzeck* – the gap between technical complexity and plot slenderness, not to say banality, grows unbridgeably wide. The roles are symbolic mouthpieces, not characters; in this respect I find it instructive that all Schreker's creative individuality appears to have been spent on the orchestra, leaving the voice parts to sing out in a kind of post-Wagnerian autopilot.

I said earlier, "on first-night Leeds evidence". It is a crucial proviso. The Grand pit proves too small for Schreker's orchestra; additional instruments have to be housed on the stage itself, in tiers around a raised acting-area, with the disastrous consequences for Schreker's subtly blended scoring, which most of the time separates out in thin strands – and which, in full cry, drowns the voices. Mr Daniel, obviously a Schreker believer, pilots the opera with sympathy and tenderness, but the *Klang* produced by the orchestral configuration defeats his best efforts.

Then, alas, there is the matter of the production – a British debut in this field by the much-loved mezzo Brigitte Fassbaender, using the sets and costumes (utilitarian and hideous) of Ultz. A moment or two in the unfolding of the central relationship suggest that she worked closely and well with the singers, Kim Begley and Virginia Kerr; but Miss Fassbaender's control of the opera's larger forces is of a stiffness and, indeed, ineptitude that defy description. The Act 2 brothel-scene comes complete with female revenants from the J. Arthur Rank Charm School and some incredibly genteel drag queens; one would guess that the producer's purpose was send-up, except that there's no hint of wit or deftness in her handling.

In spite of the orchestral barrage, there is some impressive singing. Mr Begley and Miss Kerr both reveal "youthful heroic" voices of exactly the right sturdily appealing kind (I hope she will press no harder for volume); other performers notably involved include Fiona Kimm, William Dazeley, Peter Sidhom and John Hall. In sum, though, and to be cruelly and regretfully frank, Opera North appear for once to have vastly overreached themselves.

Max Loppert

Centre: Fiona Kimm and Virginia Kerr

Noble unveils his first season at the Royal Shakespeare Company

An upbeat Adrian Noble unveiled yesterday his first full programme as artistic director of the Royal Shakespeare Company. Sir Peter Hall returning to Stratford after twenty four years to direct *All's Well That Ends Well* at the Swan; Terry Hands returning after 24 months to direct Antony Sher in Marlowe's *Tamburlaine the Great*, also at the Swan; and Kenneth Branagh playing Hamlet, again, at the Barbican in Adrian Noble's first production of the play, are among the highlights.

The five Shakespeare plays opening at the Royal Shakespeare Theatre in Stratford include *Antony and Cleopatra* for the first time since 1978, with Richard Johnson and Clare Higgins in the title roles. Also on offer are *The Taming of the Shrew*, *As You Like It*, *The Winter's Tale*, and *Merry Wives of Windsor*.

The Swan, which had a very successful 1991, presents its first musical, *The Beggar's Opera*, and a revival of *A Jovial Crew*, written in 1641 and last revived in 1724. It marks the Stratford directorial debut of Max Stafford-Clark.

The Other Place has a production of *Richard III*, with Simon Russell Beale as the King, which will tour the country when a sponsor can be found, plus two new works, *The Odyssey*, a reworking of the Greek myth by the Caribbean poet Derek Walcott, and *The School of Night*, by Peter Whelan, which is set in the London of Christopher Marlowe.

Apart from *Hamlet* the Barbican has transfers from last year's Stratford season, with the exception of *Julius Caesar* and *Twelfth Night* which were not reckoned to be worth the trip. There are also two premières, *Columbus* by Richard Nelson and a play, not yet titled, by Peter Shaffer, which will also be directed by Sir Peter Hall.

Despite the £3m deficit which hangs over the RSC, Adrian Noble was in bullish mood. Audiences were up in 1991, when the Company played to over one million people, and the year will show a small profit. Noble is making minor innovations both in opening a Shakespeare play – *Hamlet* – in London and then transferring it to Stratford in 1993, and by building up successes from last year's season at the Swan, such as *The Two Gentlemen of Verona* and *The Alchemist*, for the big stage at the Barbican rather than condemning them to the Pit.

Antony Thorncroft

Mendelssohn Foundation

A Mendelssohn Foundation has been established in Leipzig, Germany, based at the Gewandhaus, home of the Leipzig Gewandhaus Orchestra. Its first task will be to rescue the Mendelssohn House, the composer's residence in Leipzig, from years of neglect and threatened development as a hotel. The Foundation plans instead to establish it as an international cultural centre. The Royal Philharmonic Society, based in London, was invited to become one of the founder members.

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts the Royal Concertgebouw Orchestra in Schoenberg's First Chamber Symphony, Bruno Maderna's Grande aulodia and Ravel's La Valse. The programme is repeated on Sat evening and Sun afternoon, with Lalo's Cello Concerto (soloist Jean Decroos) replacing the Maderna. Tomorrow: Barbara Hendricks sings Mozart arias. Sat afternoon: Valery Gergiev conducts a concert performance of Tchaikovsky's opera The Sorceress (6718 345).

BARCELONA

Gran Teatre del Liceu 21.00 Mark Ermler conducts Gilbert Deflo's production of Tchaikovsky's Queen of Spades, with a cast led by Natalia Romanova, Leonie Rysanek, Claire Powell, Jan Blinkhof and Sergey Leiferkus. Runs till Jan 31, with next performance on Sun at 17.00 (412 1486).

Palau de la Música 21.00 Members of the Barcelona City Orchestra play chamber music by Thuille, Francaix and Poulenc. Tomorrow, Sat and Sun: Garcia Navarro conducts Beethoven's Third Symphony and Brahms' First Piano Concerto, with Rafael Orozco (268 1000)

BERLIN

Komische Oper 19.00 New production of Hans Werner Henze's ballet Undine, staged by Arila Siegert. Tomorrow: La bohème. Sat: Tom Schilling's production of Prokofiev's ballet Romeo and Juliet. Sun: Handel's Giustino (East Berlin 2292 555)

Schauspielhaus 20.00 Siegfried Kurz conducts the Berlin Staatskapelle in Dvorak's Sixth Symphony, Gershwin's An American in Paris and Kurz's Trumpet Concerto with Carole Dawn Reinhart, repeated tomorrow. Sat and Sun: Gustav Kuhn conducts Schumann's Das Paradies und die Peri (East Berlin 2272 261)

Philharmonie Kammermusiksaal 20.00 Aulos Wind Quintet in a programme of music by Reicha, Francaix, Foerster and Ravel. Tomorrow: Ysaye Quartet. Sat: Guarneri Quartet (West Berlin 2614 383). Sun and Mon in SFB Grosser Sendesaal: Nikolaus Harnoncourt conducts the Berlin Radio Symphony Orchestra in music by Haydn and Mozart (3027 242)

BRUSSELS

Palais des Beaux Arts 20.00 Vladimir Ashkenazy conducts the Royal Philharmonic Orchestra in music by Berlioz, Britten, Delius and Ravel. Tomorrow: Ronald Zollman conducts the Belgian National Orchestra in Mozart, Mendelssohn and Berlioz, with violin soloist Isabelle van Keulen. Sat: Prague Operetta Theatre production of Die Fledermaus (507 8200). Sun: Antonio Pappano conducts the Orchestra and Chorus of the Monnaie in Verdi's Requiem (219 6341)

FRANKFURT

Alte Oper 19.30 Eliahu Inbal conducts the Frankfurt Radio Symphony Orchestra in Deryck Cooke's realisation of Mahler's Tenth Symphony, also tomorrow. Sat: Homage to Duke Ellington. Sun morning: David Shallon conducts Mahler's Fifth. Sun evening: Neville Marriner conducts Haydn's Creation. In the Mozart Saal tonight at 20.00: cello recital by Heinrich Schiff. Tomorrow: an evening with Mauricio Kagel. Sat: Scottish Folk Festival. Sun: Francois Le Roux sings Schubert, Schoeck, Duparc, Debussy and Ravel (1340 400)

Opernhaus 20.00 Three choreographies by Amanda Miller, also Sun. Tomorrow: Macbeth. Sat: Ariadne auf Naxos (236061)

LONDON

THEATRE

● All My Sons: Arthur Miller's early masterpiece draws a picture of two families facing bereavement, divided responsibilities, guilt and responsibility for the past. David Thacker directs, with designs by Fran Thompson and lighting by Jim Simmons. Ian Bannen plays the part of Joe Keller. Starts previewing tonight, Press night on Tues, runs till March 7 (Young Vic 071-928 6363).

● Faith Healer: Brian Friel's play is produced by the Abbey Theatre Dublin, which had recent West End hits with Dancing at Lughnasa and Hedda Gabler. The cast, directed by Joe Dowling, includes Sinead Cusack, Ron Cook and Donal McCann. Starts previewing next Tues, Press night on Jan 24, runs till Feb 16 (Royal Court 071-730 1745).

● Painting Churches: Tina Howe's play is directed by Patrick Sandford, with Leslie Phillips, Sian Phillips and Josie Lawrence. Currently previewing. Press night next Wed (Playhouse 071-839 4401).

● The Cabinet Minister: Maureen Lipman carries the show in a Pinero comedy which was lambasted by the critics but is enjoying a popular run. The cast also includes Derek Nimmo (Albery 071-867 1115).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

DANCE

Covent Garden 19.30 Frederick Ashton's Royal Ballet production of La fille mal gardée. Tomorrow: Nutcracker. Sat afternoon and evening: Giselle (071-240 1066)

Royal Festival Hall 19.30 Final performances of Ben Stevenson's English National staging of The Nutcracker: tonight, tomorrow and on Sat afternoon and evening (071-928 8800)

MUSIC

Queen Elizabeth Hall 19.45 Lydia Mordkovitch, accompanied by Marina Gusak-Grin, plays violin sonatas by Beethoven and Saint-Saëns. Tomorrow, Sat and Sun: Compagnie Philippe Genty (071-928 8800)

Barbican 19.45 Rafael Frühbeck de Burgos conducts the London Symphony Orchestra and Chorus in Beethoven's Choral Fantasia and Ninth Symphony. Tomorrow, Sat and Sun: BBC Berg Festival (071-638 8891)

MADRID

This week's programme at the Auditorio Nacional de Musica includes a concert tonight by the Classical Orchestra of Madrid, with music by Haydn, Guibert and Stravinsky.

Tomorrow, Sat and Sun, Walter Weller conducts the Spanish National Orchestra in music by Arriaga, Halffter and Beethoven (337 0100)

NEW YORK

Avery Fisher Hall 20.00 Leonard Slatkin conducts the New York Philharmonic Orchestra in Claude Baker's Shadows, Mozart's Piano Concerto No 25 (soloist Christian Zacharias) and Dvorak's Sixth Symphony. Repeated tomorrow at 14.00, also Sat and next Tues (875 5030)

Metropolitan Opera 20.00 Marcello Panni conducts L'elisir d'amore with Kathleen Battle, Luciano Pavarotti, Juan Pons and Paul Plishka, also Sat. Tomorrow: Samuel Ramey sings Don Giovanni (362 6000)

New York State Theater 20.00 City Ballet in choreographies by Peter Martins, Balanchine and Jerome Robbins. Tomorrow: Tchaikovsky evening (870 5570)

ROME

Teatro Olimpico 21.00 Joshua Bell, accompanied by Fred Chiu, plays violin sonatas by Brahms, Prokofiev, Wieniawski and Schubert (3234 890)

Teatro dell'Opera 20.30 Paolo Carignani conducts Carlo Verdone's production of Il barbiere di Siviglia, with a cast led by Simone Alaimo, Rockwell Blake and Jennifer Larmore. Runs till Feb 7, with next performance on Sun (488 3641)

VIENNA

Musikverein 19.30 Erwin Ortner conducts the Salzburg Baroque Ensemble and Arnold Schoenberg Choir in Handel's Messiah, sung in English. Tomorrow: Michael Gielen conducts Bartok and Liszt. Sat afternoon and Sun morning: James Levine conducts the Vienna Philharmonic. Sun evening: Isaac Karabtchevsky conducts the Tonkünstler Orchestra in Mahler and Beethoven (505 8190). Tomorrow in the Konzerthaus: Gennadi Rozhdestvensky conducts the Moscow State Symphony Orchestra in an all-Prokofiev programme. Sun morning: Ingrid Haebler plays Mozart's Piano Concerto in A major K414 with the Vienna Chamber Orchestra conducted by Sandor Vegh (712 1211)

Staatsoper 17.30 Horst Stein conducts Tristan und Isolde, with Gabriela Schnaut as Isolde, also Sun. Tomorrow: Salome. Sat: Tosca with Mara Zampieri and Neil Shicoff (51444 2960)

Volksoper 19.00 Bruno Weil conducts Le nozze di Figaro. Tomorrow: Die Zauberflöte. Sun at 11.30: Lieder recital by Boje Skovhus. Sun at 19.00: Donald Runnicles conducts Christine Mielitz's new production of Lady Macbeth of Mtsensk (51444 3318)

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(all times CET)

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0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0630 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
2130-2200 (Thurs) Talking Heads - international issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
1800-1830 World Business This Week

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Thursday January 16 1992

The future of Lloyd's

LLOYD'S, the insurance market, is an organisation built on business structures that pre-date the industrial revolution. Yesterday, a task force set up to investigate Lloyd's workings and prospects – the fourth such report in two decades – offered an escape into the modern world. It may be too late.

Consider the story the task force's report tells, with admirable clarity and force. Lloyd's has been losing market share for years. Its geared capital structure heightens its members' vulnerability to periods of loss, which have become more deadly as the insurance industry's cycle oscillates ever wider. Its managing agents pay themselves too much, without enough exposure to market forces. Its costs exploded in the 1980s, at the same time as it sucked in large amounts of excess capital. Too much of that capital came from new members who did not possess enough personal wealth to cope with the risks.

Lloyd's cannot predict its liability to US damage claims, which may continue rising uncontrollably. Half its members are locked into "open years", past trading periods that carry an open-ended exposure to unpredictably rising losses. Angry members are suing each other and Lloyd's itself. Its principal asset, a sterling international reputation, is threatened by those lawsuits and by growing concern over its future capital stability.

In short, Lloyd's is in crisis. In response, the task force offers a curious mixture of short-term conservatism and long-term radicalism. This may be the right prescription for the market as a whole but it offers little consolation to Names seeking a way out of the errors of the past. Indeed, by recommending that Names' bank guarantees always be called in, regardless of the underlying security, it has increased the likelihood that the worst-hit Names will lose their homes.

Afflicted

The task force has firmly rejected any retrospective sharing-out of the losses of the past few years, despite the evidence that they have fallen disproportionately on a relatively small number of Names. Yesterday Mr David Coleridge, Lloyd's chairman, offered afflicted Names his sympathy, but little else.

In the short-term, the task force proposes a sensible scheme for capping future losses, at a level still high enough to inflict pain, but probably low enough to protect against devastation. Its other short-term recommendations are similarly level-headed, although one of them – the strengthening of Names' rights – is no more than a basic code of fair dealing. After three centuries, Lloyd's should not need a task force to teach it such elementary principles.

Radical vision

In the longer term, the report offers a much more radical vision. Although it preserves the principle of unlimited liability – above all, for tax reasons – most individual Names would end up as participants in what amounts to little more than a tax-advantaged, mildly risky unit trust. A smaller number of truly wealthy individuals, "super-Names", would continue business as before, but a growing proportion of the market's capacity would be provided by insurance company subsidiaries, with limited liability for their shareholders. Costs would shrink by 30 per cent; many jobs would go.

This vision has much to recommend it. Unlike many blueprints for reform, the report offers a way to get from here to there with minimal disruption. Yet events may conspire against its successful achievement. Much hangs on the trading year in progress. If this year is healthily profitable for the first time in half a decade, Names who are thinking of leaving will grit their teeth and carry on. Lloyd's capital will stabilise, and its prospects of achieving the profitable growth on which the task force pins its hopes will greatly strengthen.

If this year goes badly, the flight of Names will accelerate, and Lloyd's prospects of maintaining its place in the world insurance industry will vanish. The task force report is timely and welcome; but the underwriting experience of 1992 may prove more important.

Next steps in Yugoslavia

YESTERDAY, the European Community recognised Slovenia and Croatia, albeit with understandable caveats from France and the UK. Two weeks into the most effective ceasefire in the six-month conflict, Bonn's persistently argued belief that recognition would be a carrot leading towards peace appears to have been vindicated. No one, however, should be tempted by the illusion that this war, which has killed thousands and made half a million people homeless, is over.

The main question facing the EC, upon which the practical task of peace-broking will continue to fall, whatever the nature of any UN imprimatur, is the extent to which community member states are willing to apply stick as well as carrot. Economic sanctions will no doubt have a part to play for some time to come, but most specifically and immediately, the peacemakers must ensure that neither Serbia nor Croatia feels able to extend the war into the neighbouring republic of Bosnia-Hercegovina.

Extension of the war is a course of action all too likely to appeal to Mr Franjo Tudjman, the president of Croatia, and Mr Slobodan Milosevic, the president of Serbia, given their political need to silence growing internal opposition to the failures of their policies.

Mr Tudjman, for example, has obtained recognition for Croatia without regaining full control of the republic's territory. Mr Milosevic has failed to prevent Croatia from seceding from what was once the Yugoslav federation. For politicians whose stock in trade is to foment nationalist unrest to increase their power bases, these are serious difficulties.

Carve up

That both politicians now present themselves as peacemakers should delude no one. There are unmistakeable signs that the two rivals are indeed seeking to gain more territory by agreeing with each other to carve up their ethnically mixed neighbour, where for centuries, Moslems, Serbs and Croats have lived together peacefully.

It will not be easy for the international community to guarantee the stability and territorial integrity of Bosnia-Hercegovina. A first step would be for the EC to make it plain to everyone involved that the security of this republic is a precondition of all further co-operation with Serbia and Croatia. Secondly, the EC should propose and help finance the demilitarisation of the republic, which is currently home to a large part of the Serb-dominated federal army.

At the same time, planning needs to proceed in earnest for the possible despatch of a significant UN peace-keeping force to Bosnia-Hercegovina, something Mr Milosevic strongly opposes.

Most risky

Of all the options open to the international community, this is obviously the most risky and could only proceed in the light of a full appraisal of the military situation. It would be a disaster for such a force, likely to be composed mainly of Europeans, to be obliged to retreat in the face of gruesome casualties. If the ceasefire continues, such intervention may not be necessary; if it breaks down it may be impossible. But following the decision to send in unarmed UN observers, it is a contingency which, if well timed, may be both viable and desirable.

In the meantime, Bosnians themselves will be active. Some still hope for international recognition once a referendum is held throughout the republic and that independence will give Bosnia the right, and perhaps even the ability, to exercise some control over the army. More important is the fact that independence would validate the republic's internal frontiers as international borders. If it is possible to establish in the Yugoslav context that no borders, whether internal or external, will be altered by force of arms, much will have been done to improve the chances of lasting stability.

For the EC, Yugoslavia will continue to represent an inescapable, long-term challenge. That Germany's unilateral diplomacy has produced a short-term and most welcome advance should not be allowed to obscure the need for patient and coherent collective action in the future.

Damian Fraser and Stephen Fidler on Central America

Peace, but no plenty

In the splendid setting of Mexico City's Chapultepec Castle, one of Latin America's last "dirty wars" will formally end today. The government of El Salvador and its rebel opponents are to sign a treaty to end a 12-year civil war that claimed 75,000 lives, most of them civilian.

Gradually, country by country, a sort of peace is reclaiming Central America. Only in Guatemala is a civil war still being fought. Elected civilian governments now rule in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua; a decade ago there was only one, in Costa Rica.

In the past 12 years, close to 200,000 people in the region have died violently and 2m to 3m central Americans, as much as 15 per cent of the population, have been displaced from their homes.

In part, these countries were victims of the Cold War. President Ronald Reagan's secretary of state, Alexander Haig, once declared that he would "draw the line" against communism in El Salvador, a country the size of Wales with a population of 5.1m. President Reagan himself saw the left-wing rebels there as attempting to destabilise the whole region and moving "chaos and anarchy toward the American border". The Americans poured more than $4bn into El Salvador during the 1980s, one quarter of it military aid.

The end of the Cold War has sharply reduced America's fears. At the same time, funding for the extreme left from outside the region has ebbed away, as has its intellectual *raison d'être*. The once bitterly divided isthmus is now ruled by like-minded centre-right politicians. When they meet (which is often) they talk about economic integration, market-based reforms and the struggle to raise living standards to the levels of the 1970s.

Peace in El Salvador should help to reinforce this process, and reduce the still huge influence of the military on governments in the region. It will increase pressure on the Honduran army to cede more power to the civilian government. Foreign attention will turn to the Guatemalan government in a bid to force it to reach agreement with its rebels, with whom it has been fighting for 30 years. The Nicaraguan army, still under the command of the left-wing Sandinistas, who lost control of the government in elections in 1990, is expected likewise to be reduced in size.

Beyond its effects on the military, the peace accord reflects and reinforces a genuine narrowing of once sharp ideological differences in Central America. The guerrillas in El Salvador, once the hardest-line Marxists in the region, changed their tune after witnessing the collapse of Nicaragua's economy and its Sandinista government, and the fall of communist eastern Europe. For the most part they now support a mixed economy; many talk approvingly, for example, of privatisation.

The 18-month negotiations between the Salvadorean government and the rebel Farabundo Marti National Liberation Front (FMLN) were thus mainly over political, rather than economic rights: the reduction of the size and redefinition of the role of the army and the admission of the rebels into the national police force, in particular. Before the talks were concluded, Mr Abraham Rodriguez, a distinguished Salvadorean Christian Democrat, said of the rebels' negotiating position: "There is not one point dividing them from us."

The traditional ruling oligarchies and the right-wing businessmen who support them in turn have conceded many of these political rights, in part because of a fear that continued civil war will leave them behind in Latin America's rush to open itself politically and economically.

Bush's pragmatic approach to Central America could hardly contrast more with the ideological stance of his predecessor

President George Bush's pragmatic approach to Central America could hardly contrast more with the ideological stance of his predecessor. The Bush administration has shifted the emphasis of relations with the whole of Latin America towards one of economic partnership. It has actively and faithfully supported the UN-mediated negotiators in the Salvador talks.

The chief UN mediator, Mr Alvaro de Soto of Peru, hails the willingness of the US to take a back seat in the Central America peace talks as the end of the Monroe doctrine – the rationale for US intervention in the western hemisphere first enunciated in 1823 by US President James Monroe.

The Mexicans, who have long been at the centre of efforts to resolve the regional conflict, are similarly complimentary. Mr Sergio Gonzalez Galvez, head of the Americas section in Mexico's foreign service, says Mexico has not had a single difference with the US over the Salvador peace talks – in marked contrast with their bitter disputes over Central America in the 1980s. "The US," says Mr Gonzalez Galvez, "is convinced that actions taken in Central America must be co-ordinated with countries like Mexico, Venezuela and Colombia, and not alone".

As the US withdraws from Central America, the Mexicans, and to a lesser extent the Venezuelans, will partly fill the vacuum. After spending their time in the 1980s proposing peace plans, they are now concentrating on economic aid and advice. Mexico hopes to have free-trade agreements with each of the Central American republics by 1996.

Both Venezuela and Mexico sell oil to Central America at a discount, channelling money received into development projects in the region. According to the Mexican Commission for Co-operation in Central America, Mexico has signed 1,451 agreements with Central America in the past three years, covering matters such as transport, customs clearance, education, cultural exchanges and border issues.

The region has a long way to go to become a model of reformist zeal. Despite the peace agreement, to be monitored by 1,000 UN observers, violence seems unlikely to end soon. The ethnic divisions between Indians and people of Spanish origin, the great inequalities of wealth and income, the hate between former enemies are not going to melt away overnight.

In El Salvador, even if, as Mr Gonzalez Galvez suggests, the bulk of the army supports the treaty, death squads – right-wing groups within the army that killed thousands during the 1980s – may well return.

The treaty could also come unstuck in its implementation. The provisions for handing over to the rebels the large swathes of territory they control are messy, and reflect a last-minute compromise.

To make matters worse, the economic and social problems across the isthmus remain huge. The war-ravaged economies of the region are heavily dependent on exports of a few commodities such as bananas, sugar and coffee. Yearly incomes per head of the population range from $830 in Nicaragua to $1,800 in Costa Rica.

Two years ago, an international commission reckoned that the region would need $2bn a year in economic assistance over five years for reconstruction and set in train sustained economic recovery. The Salvadorean government has estimated that it alone needs $1.8bn over five years for reconstruction. The World Bank is to convene a conference within the next few months to co-ordinate foreign aid for El Salvador. But will the money be forthcoming?

On the face of it, the expected presence in Mexico today of Mr James Baker, the US secretary of state, and the leaders of Mexico, Colombia, Venezuela and Spain bodes well. But as Central America loses the world's attention, total foreign aid is likely to fall. That fall will be sharper if, as some observers fear, the US disengages from the isthmus economically as well as politically.

The US emphasis on economic co-operation with Latin America notwithstanding, Mr Kenneth Carter of the Council for Foreign Relations in New York says he senses a mood in the US that Washington should "wash its hands" of Central American governments.

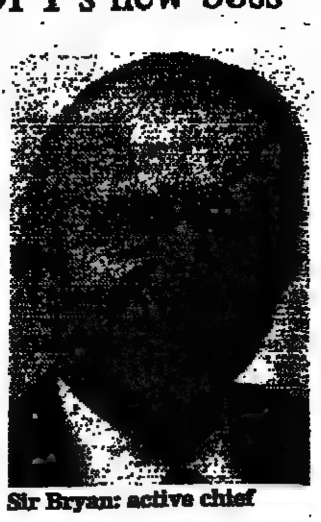
The region is no longer on anybody's front line. Economically, it carries no great importance: the combined gross national product of the five countries in 1990 was just over $23bn, less than that of Wales. Politically, it may remain significant only to its immediate Latin neighbours – whose ability to pump money into it is limited. Despite El Salvador's hope for better prospects, the region may be forced to rely mainly on its own painfully limited resources, along with a trickle of foreign investment.

For the people of Central America, the peace has been long enough in coming; emerging from the economic and social troubles will take substantially longer.

Regulator takes up the baton

Charles Leadbeater and Hugo Dixon on the OFT's new boss

Sir Bryan Carsberg was yesterday sporting an unseasonal tan courtesy of a holiday in the Maldives. The idea that Sir Bryan takes holidays, especially winter breaks on luxurious islands in the Indian Ocean, will probably come as a surprise to the companies which have been the objects of his unrelenting scrutiny during his seven years as director general of Oftel, the telecommunications industry watchdog.



Sir Bryan: active chief

Sir Bryan has been the British pioneer of utility regulation. He helped to privatise BT and then successively exposed it up to tighter regulation and greater competition. He has more influence than any other individual on regulation in electricity, gas, and water, as well as telecommunications.

His influence will expand significantly in June when Sir Bryan takes over from Sir Gordon Borrie as director general of the Office of Fair Trading (OFT), the most powerful post within the British system of competition policy making and enforcement.

Sir Bryan will be an active and inquisitive competition chief. "My approach will not be to assume that everything is all right," he says. "My attitude will be that there is probably quite a lot to be done."

Certainly he comes to the post with a formidable record. At Oftel he was a proactive regulator, seeking out opportunities to promote competition rather than merely reacting to complaints that it was being restricted.

One of his strengths is his ability to combine a general understanding of the economics of competition, from his academic background, with an intensely practical interest in how markets and companies function, a product of his long experience as an accountant. BT has learned to its cost that Sir Bryan is a formidable opponent in arcane arguments over how much deposit a customer should be charged for a telephone as well as the grander arguments about how much competition is good for an industry.

Like Sir Gordon he seems able to work effectively with Labour and Conservative politicians. He said there would be no problems if Labour was the next government as there was "quite a large measure of agreement" between the parties on the sort of work the OFT does.

Sir Bryan, 53, a trim former marathon runner, still has healthy reserves of the stamina and tenacity which have kept him going in his continual battles with BT. However, the very personal character of his struggle with BT is also a clue to Sir Bryan's shortcomings. Critics accuse him of intellectual arrogance. He is a technocrat who believes in taking decisions behind closed doors, without much public consultation. He has been better at making policy than making sure his organisation effectively pursues customer complaints against BT. Most of the OFT's work is similarly humble stuff. It spends only 8 per cent of resources considering mergers, compared with 37.6 per cent on regulation of consumer credit agreements and estate and 15 per cent on other humdrum consumer protection work.

Former colleagues also say that he is not a good delegator. Dealing with a single industry it may have been possible for Sir Bryan to keep a tight grip on all the reins. To deal effectively with the wide range of industries covered by the OFT – from soft drinks to financial services, gas to car retailing – Sir Bryan will have to draw upon the expertise of others.

Sir Bryan has no firm views on whether the OFT's investigative powers or its structure need changing. However, he will certainly have to think about a number of issues that go to the heart of the OFT's rule.

He sees no reason why specialised utility regulators should be incorporated within the OFT at this stage, although it is possible he may want to bring the Monopolies and Mergers Commission within its ambit to create a single competition authority responsible for policy, investigation and enforcement.

One of the most controversial issues may be whether competition should remain the guiding light of merger and regulatory policy. In the energy and water industries environmental considerations are becoming influential. The government has recommended the OFT should consider state ownership, foreign ownership and financial gearing in considering bids. A Labour government would seek a new balance between competition, the environment, job protection and other factors. There is also the question of the relationship between British policy and EC policy, which is increasingly impinging upon national markets.

BT may be giving out a sigh of relief at Sir Bryan's departure from Oftel; but the rest of British business had better be on his toes. He is unlikely to be taking a long summer break.

OBSERVER

New fair trader

■ If Britain is more competitive than it was 16 years ago, you can thank Sir Gordon Borrie.

When he took over from John Methven, the first director general of Fair Trading, Shirley Williams was running the department of prices and consumer protection, and he has had over a dozen different political bosses since then. Amid the whirligig of the UK's sometimes erratic competition policy, Borrie has been the one constant factor.

Although the 60-year-old law professor was appointed by an interventionist Labour government, he has keen political antennae as well as a robust intellect which have served him well. He gives the impression of being impervious to pressure, yet has been able to adjust his policies to the political mood of the day.

During his term, the job of director general of fair trading has grown in importance. This may be partly due to the fact that under Margaret Thatcher's free-market regime, politicians did not want to be seen to be interfering. But it also reflects Borrie's own distinct contribution.

All the same, he had been doing the job for too long. After 15 years of dealing with civil servants, even the strongest personality is liable to start acting like one. Promoting Sir Bryan Carsberg makes obvious sense. He has been the telecom watchdog for long enough and also needed a change.

Sweet and sour

■ The Mersey Partnership could hardly have made a more tasteful choice than John Billington to head its efforts to make the Liverpool basin more palatable to investors, students, tourists and the like. When he's not chairing the newly formed grouping of local authorities, government agencies and business, he runs Edward Billington & Sons, one of Britain's three remaining sugar merchants.

But his inaugural promises to refine the area's image met with a bitter reverse. Even as he spoke, supporters of Militant were stirring up poll-tax protests outside Liverpool magistrates' courts.

Dirty Linen

■ Get ready for the fashion accessory of 1992, designer jeans guaranteed to stay dirty no matter how many times you wash them. "The Legendary Joe Bloggs", a UK fashion company, will soon start supplying the jeans – at £45 a throw – to retailers.

"Dirty denim will never, ever look clean – no matter what you do with it – and that's a promise" says Shami Ahmed, managing director of "The Legendary Joe Bloggs". As a marketing idea it seems to owe much to Britain's leading political figures.

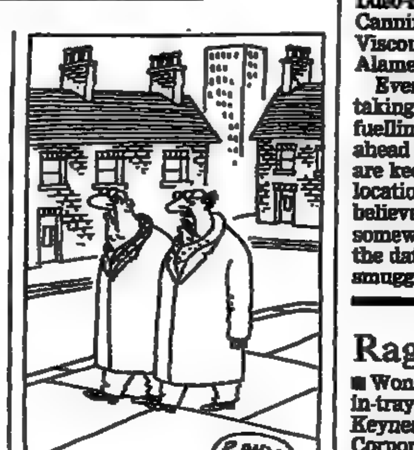
Cheque up

■ Someone, at least, feels sorry for UK chancellor Norman Lamont. The Treasury has reported a dramatic upturn in what it rather quaintly terms "voluntary donations" to the exchequer's coffers.

Good citizens, perhaps worried about the impact of the recession on the nation's finances, sent unsolicited contributions totalling £147,012 and 95 pence to the Treasury in the 12 months to October. That compared with a meagre £2,587 and 50 pence in the previous year.

Some unkind observers at Westminster were last night pointing out that the surge in generosity coincided almost to the month with Margaret Thatcher's departure. But they had perhaps forgotten that in her first year of office such donations reached a record of over £310,000.

So perhaps now it is Lamont's baleful countenance which is pulling in the cheques. He would not mind a few more to pay for those pre-election tax cuts.



"I had a dream that I'd only waited a year for my operation"

Under cover

■ Columbus's voyage of discovery to America seems to have been a relatively straightforward affair compared with the task of establishing a foothold for him in London half a millenium later.

Plans to erect a statue on the Thames Embankment near Lambeth Palace have been bedevilled by controversy over his actions, which has seen him vilified as a butcher of Indians and plunderer of the environment, not least by Harold Pinter.

Fortunately, the uproar has failed to deter the Spanish government from agreeing to fund the project, masterminded by the Hispanic and Luso-Brazilian Council at Canning House (president Viscount Montgomery of Alamein).

Even so, the planners are taking no risk of further fuelling anti-Columbus fervour ahead of the unveiling. They are keeping secret both the location of the statue – believed to be locked up somewhere in Madrid – and the date when it will be smuggled into Britain.

Rag-bag

■ Wonders of Observer's in-tray, volume 17. Milton Keynes Development Corporation, due to self-destruct after its 25th anniversary in April, has decided to send out one last press-pack.

Here are 10 things you never wanted to know about Britain's 15th biggest city. It has:

Europe's largest roller-skating rink. The UK's first purpose-built Japanese boarding school. More Swedish than French firms. A life-size stegosaurus. The first peace pagoda in the Western hemisphere. Over 15m new trees and shrubs. Counting canals and ponds, a coastline longer than that of Jersey. Central streets planted with plane trees which benefit from heat reflected off pavements. A mere 15-minute car-drive from one side of the place to the other. And 20 per cent of its residents unhappy with the way it is planned.

Own gaol

■ Sent to prison as a first offender, an English graduate was told by an old lag there that if he made amorous advances to the governor's wife, she'd get him released quickly.

"But I can't do that," he protested. "It's wrong to end a sentence with a proposition."

ECONOMIC VIEWPOINT

More on the not so sovereign pound

By Samuel Brittan

The most reassuring piece of news about the British economy is that the Treasury forecasters have now flipped over and see little if any recovery in the period ahead. That must be a sign of relief ahead. Not surprisingly activist fiscal policy is once more a respectable subject of discussion.

I do not mean that the true prognosis is always the opposite of what the official forecasters say. It is more that forecasts are bound to reflect the present and recent past, with a few twists and manipulations. Recent indicators have been unremittingly gloomy on the real side of the economy, and it is often darkest before the dawn.

But there is genuinely cheerful news, and not merely hope, on the inflation side, which is an unmixed blessing. For it is the fall in inflation that provides the headroom for an eventual resumption of growth.

Let us take an annual growth rate of the national income of 5 to 7 per cent as providing room for reasonable growth at moderate inflation. This is not a rate that can be guaranteed immediately. In the short term the course of the British economy is tied to the success of the Bundesbank in

It is the fall in inflation that provides the headroom for an eventual resumption of growth

breaking the momentum of the German wage push.

But eventually, nominal demand should be able to start growing again by 5 to 7 per cent, and the course of inflation will determine how much of that can be real growth. This Friday's Retail Prices Index will, as so often, be misleading, reflecting the echo effect of long-distant changes in the price of oil.

The most encouraging data come from UK Producer Prices. These do not of course cover the whole economy, but do provide its leading edge. Excluding food, drink and tobacco, which were boosted by the excise duties increase in the last Budget, other producer prices rose by 3.8 per cent in the 12 months to last December, compared with the peak of 6.5 per cent as recently as last February.

If you look at seasonally adjusted data, the core rate for producer price inflation is down to 3.2 per cent, taking the last six months at an annualised rate. This is the lowest since the series began, except for two months in 1986 which were affected by a dive in the oil price.

If this withering of inflationary psychology carries through to the more insulated service sectors of the economy, the way will be open for a resumption of non-inflationary growth. The achievement is, however, a fragile one, which could easily be shattered by political short-termism without achieving any durable gains in output or employment in return.

The main chart is an attempt to put the issue in longer-term perspective. It is an adaptation of the one I produced after the Maastricht Summit on December 12 to show how the purchasing power of the supposedly sovereign pound had fallen since the war.

I have made two main changes. The index is now on a log scale, so that a given proportional fall in the value in the pound is always shown by the same vertical drop. Second, I have superimposed for comparison the experience of the US, Germany and Switzerland.

The results repay study. First they show that a sum of money which would buy a pound's worth of goods in 1948 was worth just over 6.3p in 1991. The steepest rate of fall was during the Heath dash for growth and the subsequent Labour government.

The dollar has also fallen steeply in real purchasing power. But at 17.5 cents it is still worth nearly three times as much as the equivalent amount of sterling. This fundamentally explains why Mr Alan Greenspan of the US Federal Reserve has more flexibility in combating recession than the Treasury or the Bank of England.

The German D-Mark, as one would expect, has fallen much less in real value. But there have still been enough periods of creeping inflation to reduce it to 31.5 pfennigs today. A closer look at the chart reveals a remarkable phenomenon. Until the late 1960s, the dollar's purchasing power remained almost as much as the D-Mark. It was only with the inflationary financing of the Vietnam war and the floating of the dollar in 1971 that the value of the US currency really started to shrink.

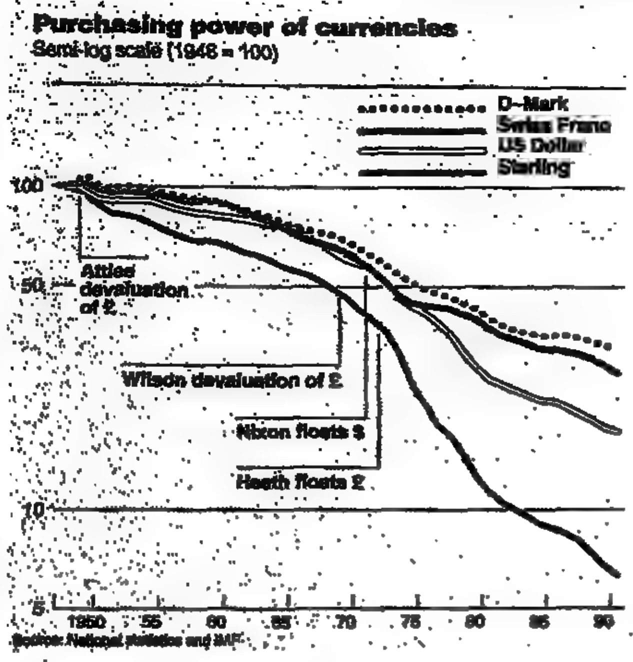
It is a myth to suppose that Switzerland's experience provides any comfort for a policy of going it alone outside the ERM. After a shock appreciation in the late 1970s which alienated local industrialists, the Swiss franc has been informally shadowing the D-Mark.

An economist of Birkbeck College

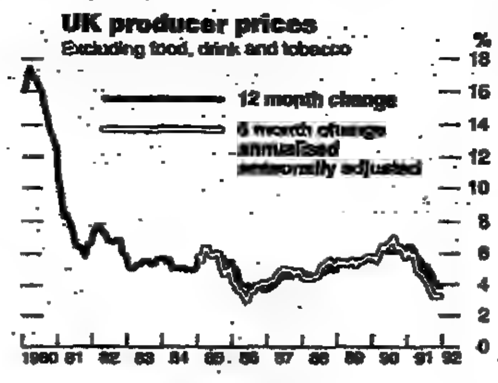
After the departure from Bretton Woods the value of the dollar really started to shrink

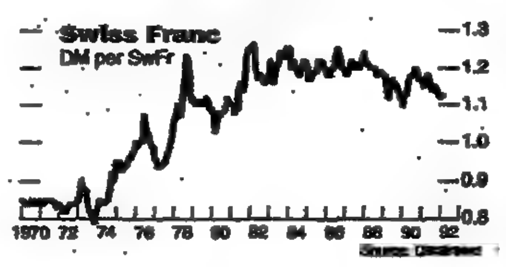
London, Mr George Alogoskoufis, has put the message in a more formal way in a series of papers. When floating exchange rates allow countries to control their own monetary destiny, inflation differentials between countries, once established, tend to persist. Moreover once inflation is pushed up by any shock, such as a wage explosion or an oil price increase, it tends to stay high.

Under the Gold Standard or Bretton Woods system of semi-fixed exchange rates, on the other hand, there was no such "accommodation" and inflation described a random path around a low or zero basic trend. In the UK, for instance, up to the 1967 devaluation, neither the advent of elections nor the identity of the party in power mattered for either expected or actual inflation. The ERM could perform a similar function if Germany can overcome its unification strains.



Source: National statistics and IMF





Source: Datastream

Sterling has many defences

Nothing that has yet happened since the UK joined the exchange rate mechanism (ERM) in October 1990 casts any more light on whether it joined at the correct exchange rate or not. Those who argue that rate is too high are in effect saying that a lower average real wage is required to secure external and internal balance at a high level of employment, and that a nominal devaluation is more likely to bring this about than maintaining the pressure on pay settlements under the ERM.

The recent debate has not, however, been about this fundamental issue. The clamour to escape from the constraints of the ERM comes mostly from people looking for a way of reducing British interest rates irrespective of what the Bundesbank does. Too many of them cherish the illusion that there is a compromise policy called a realignment (Eurospeak for devaluation), which would restore interest rate freedom to Britain while allowing it to remain in the system and thus avoid too much loss of face on Mr John Major's part.

They forget that UK interest rates would have to remain competitive with German ones at the new parity – with a more unfavourable differential than the 1 percentage point or so now prevailing. The link with German interest rates would remain even in a multilateral realignment in which the D-Mark moved up against several leading currencies – in any case a pipe-dream, which the French government, which would have to be the main player, has ruled out.

What is astonishing is how modest the pressure on sterling has been despite the unceasing clamour in The Times, Sunday Times, Evening Standard and related organs, for a large interest rate cut at all costs, irrespective of the ERM. So far there has been little difficulty in maintaining sterling within the prescribed band.

If sterling did come under serious pressure, the first obvious line of defence would be to take advantage of the full 6 per cent band, and allow sterling to fall nearer its D-Mark floor. Such a move would increase the losses risked by speculators against the pound.

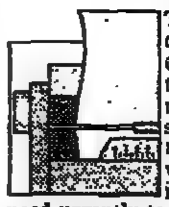
Second, if that is not enough, there remains a huge potential for central bank intervention even before the D-Mark margin is reached. The combined British and German foreign exchange reserves are committed to the defence of sterling to prevent a breach of the margins.

Base rates would be increased, however reluctantly, if the reserve drain became too large. But this is only the third line of defence. However politically distasteful, it would not be as catastrophic politically for the government as a humiliating departure from the ERM which like other "dashes for freedom" would end in yet higher interest rates as Messrs Kinnock and Smith coped with the ensuing sterling plunge.

PERSONAL VIEW

Building for rapid recovery

By Michael Keevill



The UK economy is in such deep recession that unusual measures to stimulate economic activity without causing inflation need urgently to be considered and promoted.

The principal political parties will need to come up with original ideas to meet the public demand for fundamental new thinking.

Rather than wait for them, industrialists have been searching for a business solution.

Construction, the fundamental economic kick-starter, is in deep stagnation. Everything from concrete and bricks and steel to window frames, wallpaper and lighting are, or soon will be, feeling the knock-on effects.

Architects and surveyors, electricians and plumbers have become unemployed or underemployed and the effects are felt in the High Street.

Currently there are more than 2.5m people without work who in 1991 cost the state more than £800m in unemployment benefits alone.

Banks, insurance companies and building societies are affected. Yet throughout the UK, local authorities are sitting on massive balances of funds from the sale of council houses. The total is estimated at £6bn.

Yet the Treasury will not permit more than 25 per cent of these balances to be spent. Why not?

Every local authority has a massive repair schedule it cannot meet. Potentially good housing stock is deteriorating. The effect on surrounding property is bad and probably leads to other drains on the public purse in terms of street crime and vandalism.

At the same time, many thousands of people are living in overcrowded conditions – particularly in London – in bed and breakfast accommodation costing many thousands of pounds a month. What other problems is the community storing up for itself in terms of disease and violence?

If a housing repair and modernisation drive involving smaller companies as well as the big builders were launched, there would be an immediate stimulus to the construction industry. This would feed through to the rest of the economy without being inflationary.

The same sort of programme could be applied to schools. Too many of them are falling apart and cannot be upgraded for want of resources.

The lighting industry, which has a turnover of £650m and employs 17,000 people, believes the time has come to get a grip on this situation. It is, of course, an interested party. It wants to start moving sales too.

Merely to stand back and observe a continuing run-down will not do much for business, and may present too easy a market opportunity for future imports.

The Lighting Industry Federation would like the government to match the funds held by the local authorities, and so give councils an incentive to move fast to seize a share of Whitehall "new money". A better partnership, long overdue, between central and local government might be established.

Everyone would like to see the back of the so-called cardboard cities which disfigure city centres. These too could be tackled by a more active building industry.

Blocks in inner cities that need refurbishment could be converted to single people's accommodation, to provide, say, maximum two-year tenancies before the occupant had to make his or her own arrangements. Much concrete, piping and timber, and many bricks, and, yes, light fittings, would soon be needed.

This activity would create jobs and, above all, homes, and could be begun very quickly.

Architects, surveyors, builders and plumbing and electrical contractors would leap to respond to this challenge.

Can the politicians?

The author is president of the Lighting Industry Federation and managing director of Arrow Plastics.

LETTERS

Psychological testing is not resented

From Mr Andrew Roberts.

Sir, Alas, Mr Sturt's letter (January 13) in reply to Timothy Clark's study ("Money spent on headhunters is 'wasted'", January 7) is yet another snare and delusion. Of course, headhunters have a role, but so too do objective means of assessing a candidate's suitability or potential for a job.

Mr Sturt has fallen into the trap of misunderstanding the effects of random selection, or in his terms, "introduction". Headhunters will, simply by chance, identify candidates who are high performers in their new role. As a result they are not subsequently transferred or fired. The key point here, however, is that chance has come into play. For, at the same time, headhunters can and do "introduce" executives who do not perform well. I wonder where his evidence comes from that this does not occur? Certainly my experience as an occupational psychologist is that I have often been retained by clients who wish to recover from a poor "introduction".

Mr Sturt rightly asserts that psychological assessment is "just one link in a chain", but then ruins his whole argument by adopting the elitist attitude that such assessment is only relevant to junior and middle management. Psychological assessment is not just about ability testing, although this is important even at the highest levels. A rigorous analysis of overall suitability is essential for all jobs, including board members. Why senior managers should feel "insulted" by demonstrating their skills and abilities is a mystery to me.

Finally, many companies which use psychological assessment alongside headhunters are more impressed by the hard evidence that has emerged from a plethora of research studies over the past 50 years than they are by the subjective data that Mr Sturt would have us take account of from telephone conversations, references and anecdotes from former colleagues.

Andrew Roberts,
managing director,
Knight Chapman Psychological,
48 High Street,
Lewes,
East Sussex BN7 2DD

Lloyd's report offers no solution to 'outsiders'

From Mr Claud S Cecil Gurney.

Sir, Once again we get exactly what we should have been expecting from a group headed by a Lloyd's "insider" – a clever set of suggestions as to how the "insiders" can go on obtaining enough "outsiders" to continue to rip them off in the future.

We could have hoped for a few more imaginative ideas from a team supported by McKinsey. The only radical ideas are in the suggestions which are presented as possible areas that Lloyd's may like to look at in the long term and are, therefore, never likely to be implemented.

I know of no other organisation in the world which asks Names to take such risk and in which the people who are meant to look after their interests not only enjoy so much immunity but also have their own often conflicting interests.

David Rowland, who chaired the task-force which prepared the report, offers no radical solution to this problem and he offers no solution to the basic conflicts of interest in the market despite much nonsense talked about the "primacy of Names' interests". There are, of course, some good "nuts and bolts" suggestions – but then every report on Lloyd's in the last 50 years has had some good ideas along with some bad ones – and if the Council of Lloyds continues to represent the insiders then there is little hope in the aftermath of this report, as there was in the aftermath of the last report, that the recommendations which are actually implemented will reflect the outsiders' interests.

I am one of those Names who had hoped that the balance of power would finally and irrevocably have shifted in favour of the provider of capital and that a scheme would have been devised to ensure that those who had profited from past market dishonesty would have contributed something to a fund to help present sufferers. I therefore put off my resignation pending the Rowland report. I sent it off today.

Claud Gurney,
41 Brompton Square,
London SW3

Need for revolution in attitudes towards teaching and research

From Ms Angela Crum Ewing.

Sir, In your editorial "Mass higher education" (January 13) you forecast that when the divide between polytechnics and universities has ended it will be replaced by a new divide, one between institutions engaged in teaching and research and those funded only for teaching. Of course, those that receive no government funding for research will still be able to seek such funding from other sources, just as all institutions do at present; and this new divide may in any case not be as clear-cut as you suggest, since there are likely to be divisions of this kind within institutions themselves. Nevertheless, if the revolution in higher education is to succeed there needs to be a corresponding revolution in attitudes towards teaching and research.

The Association of University Teachers has consistently pressed for greater recognition of teaching quality in universities; yet the Universities Funding Council continues the practice of its predecessor, the University Grants Committee, and bases its allocation of funds to universities primarily on its assessment of their excellence in research. It is not surprising, therefore, that promotion in universities, too, depends heavily on research performance with teaching in most cases coming a very poor second. Replacing one divide by another, with a few "ivy league" universities and a rump which is regarded as second-rate, is no way to build a genuine mass system. It is to be hoped the new funding councils, and the Committee of Vice-Chancellors and Principals, will accept the interdependence of research and teaching.

Angela Crum Ewing,
president,
Association of University Teachers,
United House,
1 Pembridge Road, London W11

Explanation is needed

From Ms Alison Wolf.

Sir, Diane Summers argues that UK women find it far harder to follow careers than do their European counterparts because of a lack of public (tax-funded) childcare provision. ("The little things that mean a lot," January 13).

Could she please explain why, in that case, the UK has a higher rate of female participation in the labour force than any other EC country except Denmark?

Alison Wolf,
Institute of Education,
University of London

Call for new type of pension

From Mr A H R Delens.

In Barry Riley's article on pensions (The Long View, January 11) there are several points which are not covered.

To start with, pensioners are entitled to their pensions in the same way that insurance policy holders are entitled to their benefits under their policies. Anyone who has worked overseas and decided to maintain his DSS pension knows that he paid a premium, part of the NI contribution, specifically to cover his pension and nothing else.

Barry Riley talks about a "free gift from one generation to the previous one". What about the free gift of a national infrastructure from one generation to the next one? If people entering work had to pay for assets and services built up by preceding generations, there would be no pension funding problem.

Although the working population may decrease relative to the number of pensioners, productivity increases due to advancing technology should fill the gap. Nevertheless, it is high time there was a single national pension plan for all; government controlled, but privately administered and funded, but completely out of the hands of employers.

A H R Delens,
Cleeves,
Berrick Salome,
Wallingford, Oxfordshire

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Thursday January 16 1992

German growth hit by cost of unification and recession

By Christopher Parkes in Bonn

THE TWIN burdens of unification and recession in export markets slowed west Germany's economic growth rate to 3.2 per cent in real terms last year, the government statistics office said yesterday.

Although higher than the 2.4 per cent average annual growth in the past 10 years, it was the weakest result since 1987, when gross national product rose 1.5 per cent, and contrasted sharply with the 4.5 per cent "boom" rate in 1990.

The figures show that west Germans tightened their belts last year: private consumption and state demand increased by only 2.4 per cent and 1.3 per cent respectively, compared with 4.7 per cent and 2.1 per cent in 1990.

However, nothing could prevent the widening of the gap between the old federal republic and the five former DDR states, and a sharp rise in state borrowing to a record DM87bn (£35bn).

The figures, the first since unification showing 12 months' results from both sides of the country, revealed that east and west together generated GNP worth DM2,807bn, of which the east – with 20 per cent of the united country's population – contributed just DM193bn, or just 6.9 per cent of GNP.

Every western worker produced goods and services worth DM88,800 last year, compared with DM26,300 in the east. Average gross income in the five new states, although up, still stood at 45 per cent of western levels.

While officials warned not too much should be read into the east German statistics, they demonstrated just how much economic help was still needed. They also gave an idea of the scale of assistance needed to transform the economies of newly independent countries in eastern Europe and the former Soviet Union.

GNP figures for the final quarter of last year, due yesterday, were not published, although a statistics office official was reported to have said they "appeared" to show no improvement on the previous quarter.

Private consumption in the west in 1991 was almost halved, mainly by the impact of a 7.5 per cent income tax levy and other duty rises imposed to help fund projects in the east. Inflation averaged 3.5 per cent during the year, although the GNP price deflator, an indicator of domestically generated inflation, rose 4.4 per cent compared with 3.4 per cent in 1990.

State borrowing, pushed up by the DM11bn cost of Germany's contribution to the Gulf war, is expected to fall to about DM45bn this year.

Despite the setbacks, and recent further deceleration in growth, officials insisted that Germany had not slipped into recession.

● German employers went on the offensive yesterday following an apparent weakening of the trade union stance in the current wages round. Mr Ekkehard Shulz, chairman of Thyssen Stahl, said he would prefer a strike in the steel industry to a high pay settlement.

Mr Hans-Joachim Gottschol, leader of the metal industries federation, rejected as "much too high" a 9.5 per cent upper limit on this year's engineering workers' claims, set by the board of the IG Metall union on Monday.

EC recognises Croatia, Slovenia

By Our Foreign Staff

THE EUROPEAN Community yesterday sealed the formal end of the Yugoslav federation by recognising Croatia and Slovenia as independent states.

But it put off extending recognition to the other breakaway Yugoslav republics of Macedonia and Bosnia Hercegovina.

The landmark decision by the Community was tempered by continued disagreement among member states over tactics, and the fears of some of the Twelve that it could complicate negotiations at the EC peace conference on Yugoslavia's future.

The findings of the conference's arbitration commission under Mr Robert Badinter, the French constitutional expert, expressed the specific reservation that Croatia had not agreed to the conference's plans to accord self-government to majority Serbian areas inside Croatia.

However, President Franjo Tudjman of Croatia undertook earlier this month to "accept entirely" the peace conference provisions for autonomy and minority rights.

The differences within the EC were underlined when Germany yesterday assumed full diplomatic relations with Croatia and Slovenia.

The arbitration commission's reservations on the question of human and minority rights in Croatia failed to cause even a flicker of hesitation in Bonn, where the government spokesman, Mr Dieter Vogel, expressed confidence that the German pressure for diplomatic recognition had been an important contribution towards the realisation of a genuine ceasefire there.

German envoy Peter Kailbert (left) and Slovenian foreign minister Rupel Dimitrij exchange agreements on diplomatic relations in Ljubjana yesterday

The Dutch government, however, was among those states most concerned at premature recognition of Croatia. It said it had agreed, while "expecting the Croatian government to see to it that all the shortcomings mentioned ... will be remedied."

Mr Piet Dankert, the Dutch junior minister for EC affairs, told an audience in Bavaria that the German threat to press ahead with recognition regardless of its partners' views was "a very unhappy beginning to the common foreign and security policy, for which the path was cleared at the Maastricht summit".

France said it might not send an ambassador until Croatia met the required conditions, while Britain said it was considering the question.

In Belgrade, the Serb-controlled federal government reacted with predictable anger to the EC decision, accusing it of "violating international law". While Serbian officials insisted the move would not affect Yugoslavia's international status, Mr Dobrosav Veizovic, the deputy foreign minister, said it would jeopardise the EC and United Nations peace process.

In Sarajevo, the capital of Bosnia-Hercegovina, officials said they were disappointed but not surprised that the EC declined to recognise its independence.

A government official in Skopje, the capital of Macedonia, said the EC's objection was based on the principle of "not alienating Greece, which objected to the name Macedonia being used for our independent republic."

The Badinter report's finding that Macedonia should also be recognised is bound to bring pressure on Greece to relent in its opposition to a new state on its borders, bearing the same name as one of its provinces.

Editorial comment, Page 14

Gatt panel condemns support for Airbus

By Paul Betts, Aerospace Correspondent, in London

THE TRANSATLANTIC dispute over Airbus subsidies is likely to intensify following a confidential report by a General Agreement on Tariffs and Trade panel condemning German exchange rate support for Deutsche Airbus, the German partner in the four-nation European aircraft consortium.

The panel was reporting to the Gatt subsidies committee, with which the US government filed a complaint against the European Commission last February. It concerned Germany's dollar exchange support mechanism for Daimler-Benz, the German private car group which has absorbed Deutsche Airbus as part of a restructuring of the German aerospace industry.

Under the mechanism, Daimler can ask the Bonn government to make good the exchange rate difference if the value of the dollar over a year averages between DM1.60 and DM1.80. Germany has argued that the exchange support scheme was necessary to enable the transfer of Deutsche Airbus from state control into the private sector.

But the US government and the American aerospace manufacturers complained that the German move was a distortion of trade and represented a subsidy worth an average of $2.5m for each aircraft produced by Airbus. The US has also filed with Gatt a second, more general complaint against Airbus subsidies. This has been vigorously rejected by the EC and the European aircraft consortium.

However, the findings of the Gatt panel on the German exchange issue represents on the surface an important victory for the US in the long-running battle on aircraft subsidies.

The panel's confidential report was circulated to the parties involved in the dispute this week. But it will require a consensus by the Gatt subsidies committee before being adopted.

An Airbus official suggested last night that the panel's ruling was likely to represent only a "pyrrhic victory" for the US.

Although the panel regarded the German exchange support mechanism as an infringement of the Gatt subsidies code, it apparently did not consider this constituted an export subsidy for Airbus finished products.

The EC is now expected to counter-attack by renewing charges contained in a recently commissioned report by US consultants of government support for commercial aircraft makers like Boeing and McDonnell Douglas.

Bush's health care pledge

Continued from Page 1

Speaking to hand-picked business leaders, who did not include any minorities, the president played the role of local boy made good, reminding his audience that he had gone to school in neighbouring Massachusetts.

Mr Bush has yet to declare himself officially a candidate for re-election. He wants to use every advantage of being an incumbent. Yesterday he foreshadowed a key campaign theme by stressing how he had made the tough decisions a year ago in launching the Gulf war against Iraq.

He also stressed that, unlike some Democrats, he would not support an across-the-board tax cut just to buy electoral votes in the southern primary elections. This appeared to be a direct reference to Governor Bill Clinton of Arkansas, the early Democratic front runner, who supports a tax cut of up to $350 for middle-class Americans.

Threat to Russian reform

Continued from Page 1

their money out of Russia: they woke up to what was happening and killed their credits. It means that this government has almost no funds. It is in a desperate position."

Though the west's recognition that Russia must be admitted quickly to the IMF was encouraging, he said that: "Russia will need more than the IMF could give, and (will need such aid) before it is admitted to it."

● **Leyla Boulton in Moscow writes:** Mr Yeltsin yesterday repeated a warning that Russia could introduce its own currency if neighbouring Ukraine, the second richest commonwealth state, abandoned the rouble.

"We would not introduce a Russian currency if some of the republics were not trying to outstrip us. We are watching them and we have some information where and how Ukraine is printing its banknotes", he said.

British government under fire from Gulf war report

By David White and Ivo Dawnay

THE British government faced acute embarrassment yesterday after the disclosure of an internal armed services report strongly criticising interference by ministers in the conduct of Britain's role in the Gulf campaign a year ago.

The report, leaked to the Press Association news agency, comes during a sustained three-day offensive by the ruling Conservative party against its Labour opposition, portrayed as a party lacking genuine commitment to strong defence policies.

It complains that during the crisis the government showed a "preoccupation with money and politics", "excessive ministerial influence" and "a frustrating loss of cohesion".

As government officials talked down the report's significance, Mr Martin O'Neill, chief Labour defence spokesman, insisted it raised "very serious questions" about the government's handling of the military side of the Gulf crisis.

In a statement last night, Mr King, the defence secretary, acknowledged that there had been disputes over "details within the decision-making process", but added that these had not interfered with "the overall team effort and the success that that achieved".

The report, understood to have been written by a naval officer, highlights friction between the services and senior civilian officials about committing British forces to Gulf operations.

This included ministers' refusal to send the aircraft carrier Ark Royal into the Red Sea despite US requests for it to assist in enforcing the embargo against Iraq.

The report says both Air Chief Marshal Sir Patrick Hine, the UK-based joint commander of the campaign, and Marshal of the Royal Air Force Sir David Craig, then chief of defence staff, pressed the government to send the Ark Royal.

The navy's anxiety to take a higher profile in military operations was seen by civil servants as partly reflecting worries about impending cuts under the government's defence review.

The report says senior civil servants were "hell-bent on committing as little as possible" to the Gulf because of the cost-saving review.

"The preoccupation with money and politics of ministers and advisers continued much too far into the campaign ... well past the time when conflict became likely." it says.

New UK fair trading chief chosen

By Robert Rice and Hugo Dixon in London

SIR Bryan Carsberg, director-general of telecommunications in the UK, is to succeed Sir Gordon Borrie as director-general of fair trading. Sir Gordon, who will be 60 in March, will step down at the end of June after 16 years in the job.

Sir Gordon, only the second person to hold the office since the Office of Fair Trading (OFT) was set up under the 1973 Fair Trading Act, let it be known last year that after completing three five-year terms he had no desire to continue.

He was persuaded by the government to carry on for an extra year to give it time to find a suitable replacement.

The Department of Trade and Industry yesterday described as "pure speculation" the suggestion that Sir Bryan's appointment was a precursor to uniting the roles of the utilities' regulators and the OFT.

Sir Bryan promised a "proactive" approach to his new job. He said the OFT's functions were to "improve the performance of the economy by making things more competitive and more efficient" and to protect consumers.

It was important that the director-general was independent of political pressures, he said, and he foresaw no problems if the opposition Labour party formed the next government.

Profile, Page 14

THE LEX COLUMN

A costly policy from Lloyd's

Companies do not survive for long with a cost structure 43 per cent above what is needed to offer shareholders an acceptable return. That is perhaps the most fundamental reason why the Lloyd's insurance market will be forced to act quickly on the many sensible recommendations put forward yesterday in the report led by Mr David Rowland. Given his reputation for knocking Sedgwick into shape, Mr Rowland is a credible taskmaster.

Even his apparently savage target expense ratios, though, could prove optimistic. They assume, for example, that underwriting results and investment income at Lloyd's will return to the average levels of the period 1979-1988, years which apart from the final one were highly profitable. It could be that worldwide capacity reductions and hardening premium rates in some areas like marine and aviation herald a sharp turnround in the insurance industry's fortunes. It would be unwise to count on it.

The main surprise yesterday was the report's proposal that the divestment rules in the 1982 act should be reversed. It is possible to argue that tighter regulation today takes care of the conflict of interest problem, and that ownership of underwriting agencies by the brokers will encourage stability. Quoted agencies tend to be poorly understood by investors and follow a different cycle. That apart, the unspoken message of the report is that Lloyd's needs its brokers more than the other way round.

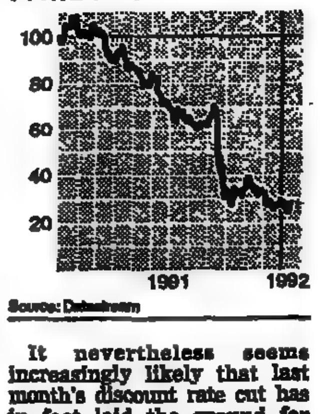
US markets

US markets have been strikingly unanimous in signalling expectations of economic recovery this week. The dollar and equities have risen, if with some hesitation on the part of the latter yesterday: the bond market has been soft. This determination to call the turn is all the more curious given the absence of hard evidence that recovery is under way. On the contrary, Tuesday's retail sales figures pointed to continuing weakness.

Pessimists would argue there is no general message in the various market trends. Thus, it may not be so much a case of dollar strength as of D-Mark weakness, caused by worries about strike action in Germany. The bond market faces a glut of Treasury issues over the next few weeks. Investors are switching into equities from low-yielding money market funds.

FT-SE index: 2,537.1 (+20.8)

Asda



Source: Datastream

It nevertheless seems increasingly likely that last month's discount rate cut has in fact laid the ground for recovery. There is increased scope both for corporations and consumers to improve their cash flow by refinancing debt, and for higher banking margins which should stimulate credit growth. The uncertainty for the markets is thus not whether an upturn is on the way, but more over its strength and timing. It may not set in until the second quarter or even later.

Until then, there is a risk of setbacks. Negative indicators may yet discourage equity investors and prompt the exchange market to question how quickly interest rates will harden again. In any case, at these levels the equity market is already pushing its luck. It could not advance much further without appearing to discount a boom. That would be self-defeating, as the Federal Reserve would be forced once again to slam on the brakes.

British Gas

Yesterday's initial 4 per cent jump in British Gas shares on its capitulation to the Office of Fair Trading showed how little faith the market had in the gasman's willingness to bow to the inevitable. The fact that the gain then all but evaporated was a more realistic measure of the difficulties Gas faces. Having claimed that its ability to meet shareholder expectations on dividends would be hampered unless its regulator also climbed down, Gas can do little more than put on a brave face while it is broken into pieces.

The shares will increasingly suffer a two-way pull, with their yield attraction diminishing as their break-up value is clarified. The message will doubtless not be lost on investors in BT. As Sir Bryan Carsberg prepares to leave Oftel, his counterpart at Ofgas has shown what a determined regulator can achieve. A new incumbent at Oftel might choose to take up the challenge: a new government might conceivably require it.

Asda

Yesterday's 19 per cent rise in the Asda share price might seem a generous response to an interim retained loss of £106m, or 16 per cent of the group's market value. But the £10m pre-tax profit before exceptionals was rather better than expected; and if the exceptionals were worse, that doubtless testifies to the reforming zeal of the new management.

The snag is that the group's new strategy has not yet been formulated, let alone published. It remains worrying that, with Gateway also searching for a role, some 20 per cent of the UK grocery industry depends for its future on finding gaps in the market. Asda prefers to point to its huge asset base and the transformation that would ensue if it were put to productive use. But with the grocery market faltering, it could still all go wrong. The prudent strategy for investors is to wait for hard evidence, even at the risk of missing the early part of any rise.

First Leisure

If Brent Walker has any fans left, they might profit by studying the steady rise of First Leisure. Since its flotation in 1984 it has outperformed the market by more than 200 per cent, while its market capitalisation has risen tenfold to £460m. Granted, yesterday's earnings were only marginally up on the year before, and that only because of a lower tax charge. But the performance was still remarkable when set against the leisure sector's decline.

The trick has been simple enough. From the start, First Leisure avoided high gearing in favour of cautious expansion and tight cost controls. It refined its markets – unglamorous niches like ten-pin bowling and discotheques – and offered customers an attractive combination of comfort and value for money. When consumers start spending again, it should justify its historic rating of 19 times earnings. Until then, it can quietly chip away at competitors' market share.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Berlin	C	6	43	Caracas	C	28	82	Faro	S	15	59	Islamabad	F	17	63
Algiers	F	15	59	Biarritz	C	8	46	Casablanca	S	18	64	Florence	S	8	46	Istanbul	S	6	43
Amsterdam	C	7	45	Bombay	S	27	81	Chicago	Sn	-7	19	Frankfurt	F	7	45	Jakarta	R	31	88
Athens	F	12	54	Bordeaux	Fg	-1	30	Cologne	C	6	43	Geneva	F	2	36	Jersey	F	4	39
Bahrain	S	17	63	Boulogne	C	8	46	Copenhagen	F	6	43	Gibraltar	C	15	59	Johannesburg	F	27	81
Bangkok	F	28	82	Brussels	C	6	43	Corfu	S	12	54	Glasgow	C	2	36	Lima	F	27	81
Barcelona	F	7	45	Budapest	S	6	43	Dallas	C	4	39	Helsinki	F	1	34	Lisbon	S	11	52
Beirut		-	-	Buenos Aires	C	22	72	Dublin	C	5	41	Hong Kong	S	14	57	London	C	7	45
Belfast	C	5	41	Cairo	R	13	55	Dubrovnik		-	-	Innsbruck	S	3	37	Los Angeles	S	8	46
Belgrade	F	3	37	Cape Town	S	23	73	Edinburgh	C	4	39	Inverness	S	5	41	Luxembourg	C	4	39

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	18	64	Milan	Fg	0	32	Nicosia	F	14	57	Salzburg	C	5	41	Tenerife	C	20	68
Madrid	S	7	45	Montreal	S	-21	-6	Oporto	S	13	55	San Francisco	S	6	43	Tokyo	S	8	46
Majorca	S	14	57	Moscow	S	-20	-4	Oslo	S	0	32	Seoul	S	2	36	Toronto	S	-17	1
Malaga	S	15	59	Munich	C	3	37	Paris	C	5	41	Singapore	R	26	79	Tunis	F	15	59
Malta	F	15	59	Nairobi	F	25	77	Peking	S	5	41	Stockholm	S	6	43	Valencia	S	11	52
Manchester	C	3	37	Naples	S	11	52	Prague	C	5	41	Strasbourg	C	5	41	Venice	Fg	2	36
Manila	F	30	86	Nassau	F	28	82	Reykjavik	C	6	43	Sydney	C	23	73	Vienna	C	5	41
Melbourne	S	18	64	New Delhi	S	17	63	Rhodes	S	12	54	Taipei	C	12	54	Warsaw	C	4	39
Mexico City	C	22	72	New York	S	-5	23	Rio de Janeiro	C	37	99	Tangier	F	16	61	Washington	S	-4	25
Miami	C	13	55	Nice	S	12	54	Rome	S	13	55	Tel Aviv	C	14	57	Zurich	C	2	36

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday January 16 1992

INSIDE

Sales at Olivetti decline by 5%

olivetti

Olivetti, the Italian computers and office equipment group, yesterday announced a 5 per cent fall in sales to L8,600bn ($7.17bn) last year. No figures for profits were released. However, some analysts expect a loss of at least L200bn for 1991. Elserino Piol, Olivetti's director for central operations, expressed confidence that measures now under way would restore profitability this year. Page 18

Sugar spills to the floor

Traders around the world will be watching the raw sugar market closely tomorrow as the London market ditches its computer screens, brought in only 12 months ago, and returns to the floor. The move comes as the troubled London Futures and Options Exchange (Fox) embarks on a year of readjustment after its property futures debacle. Page 26

US car groups announce record sales in W Europe

Ford and General Motors announced record turnover yesterday in western Europe for 1991. Sales, up 4 per cent for Ford and 1 per cent for GM, helped to offset the two companies' sharply deteriorating market performances and heavy losses in North America. Ford, second behind GM in North America, outperformed its rival in Europe, claiming 1.58m sales compared with GM's 1.565m. Page 18

First Leisure rises 4%

First Leisure, the discotheque, 10-pin bowling and tourist attractions group, yesterday announced a 4 per cent rise in pre-tax profits to £30.4m after what it described as the most difficult year since it was set up in 1983. Lord Delfont (left), chairman, said the first half of the current year would be particularly difficult and would coincide with the planned closure of Blackpool Tower and several discotheques for redevelopment. Page 24

Henkel sales rise 8%

Henkel, the German chemicals and consumer goods maker, boosted sales last year by about 8 per cent, but net profits are expected to show little change over the 1990 results, Mr Helmut Sihler, chairman, said yesterday. Page 18

Waterford buys Express Ireland

Waterfood Foods, the Irish dairy and foods group, has agreed in principle to buy Express Ireland, a dairy offshoot of Grand Metropolitan, the UK drinks, food and retailing group, for an estimated I£100m. Page 25

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Merck	743¼	−	2⅞
Rises				Pfizer	803¾	−	3¼
Allianz	2245	+	98	Schering	657½	−	2½
Bayer	300.5	+	12.7	**PARIS (FFr)**			
Hoechst	248.8	+	13.3	**Rises**			
Holzmann	1188	+	63	Essilor	336	+	12.2
Mannesmann	737	+	27	Geophysique	501	+	24.5
Schmalbach	487	+	33	Perrier	1358	+	87
NEW YORK ($)				Peugeot	700	+	26
Rises				Schneider	650	+	24
AMR	74¾	+	2⅞	**Falls**			
Delta	73⅝	+	3⅛	Coparex	600	−	30
UAL	156¾	+	4¾				
Falls							

New York prices at 12.30pm. Tokyo closed.

LONDON (Pence)							
Rises				**Falls**			
ASDA	34½	+	5½	Amber Day	89	−	4
BAT Inds	882	+	24	A B Foods	434	−	10
GKN	297	+	12	Beales Hunter	200	−	14
Hanson	212½	+	8½	Cater Allen	304	−	14
Leigh Ints	268	+	19	Forte	230	−	7
Lucas Inds	170	+	4	Greycoat	53	−	7
NatWest Bank	275	+	11	Guinness	833	−	11
Ranger Oil	408	+	23	Lonrho	143	−	20
Stip Business	105	+	14	Trafalgar Hse	125	−	9
Thames Water	348	+	10	Wyko	51	−	6
Unilever	920	+	17				
Zetters	136	+	6				

Porsche cuts dividend as profits fall 70%

By Andrew Fisher in Frankfurt

PORSCHE, the German sports car manufacturer, has cut its dividend after a steep slide in profits caused by recession-hit foreign markets and high provisions for job cuts.

Group net income fell 70 per cent from DM57m to DM17m ($10.6m) in the year ended July, 1991, and the dividend on the voting shares, owned by the Porsche and Piëch families, falls to DM9 from DM12 a share. The preference share dividend falls a similar amount to DM10 from DM13.

Because of the provisions, Porsche finished the year with a worse-than-expected result. The company had earlier warned that net profits would emerge at around DM50m.

Mr Walter Gnauert, finance director, said the provisions totalled some DM60m, including the cost of shedding 550 non-production workers. The dollar's decline had reduced operating profits by DM68m, while model changes had held back production. Earnings per share were down to DM23 from DM68.

Mr Arno Bohn, chief executive, said the weak state of some car markets meant last year's sales and profit levels would not be achieved this year. "This is a difficult phase for Porsche," he said.

Unit sales would drop further from 26,200 to around 25,000 in 1991-92. This compares with 30,200 in 1989-90 and 50,000 in 1986-87, just before Porsche's sales and profits collapsed as a result of the weak US market.

Last year, Porsche's performance in the US again deteriorated. Turnover there was 26 per cent lower compared with a 15 per cent decline in other foreign markets. In Germany, however, sales jumped 39 per cent. Group turnover eased 1 per cent to DM3.1bn, of which cars accounted for DM2.4bn.

Mr Bohn said Porsche, which has been subject to intense takeover speculation, could absorb the sales decline: "Our aim is not just unit sales. Our main goal is to keep the company healthy and thus remain independent".

He added: "The voting shareholders have said they neither plan, intend, nor have considered giving outsiders a stake, except in the preference stock." Companies which have expressed interest in Porsche include Mercedes-Benz, Volkswagen and BMW. Mr Gnauert said Porsche had net liquid funds of DM620m. Cash flow was DM273m (DM297m). Capital spending totalled DM233m.

● Kolbenschmidt, the motor components subsidiary of Metallgesellschaft, is halving its dividend to DM4 a share. It has already announced a decline in 1990-91 pre-tax profits from DM72.5m to DM200,000.

Arno Bohn: difficult phase

Exceptional costs drag Asda into heavy loss

By John Thornhill

ASDA, the struggling grocery chain, yesterday reported an interim pre-tax loss of £58.8m ($120.7m) as it suffered from falling operating profits, a mounting interest bill and a string of exceptional charges.

Pre-tax profits fell from £58.4m to £10.1m in the 28 weeks to November 9 but the company was dragged into heavy loss by exceptional costs of £78.9m relating to reorganisation charges and property write-downs.

The City of London had been braced following an earlier warning from the company. Mr Bill Myers, food retailing analyst at Henderson Crosthwaite, said: "In the circumstances it was about the best outcome we could have hoped for."

Asda's sales grew from £2.25bn to £2.3bn but operating profits fell from £107m to £74m in difficult trading conditions.

Asda's grocery stores produced profits of £84m (£100.9m) on sales slightly ahead at £2.2bn. But losses from the Allied Maples furnishings business amounted to £13.2m (£3.2m) and the Gazeley property business saw profits fall to £8.2m (£9.3m). The interest charge rose to £63.7m (£44.4m).

The exceptional costs split as follows: the recent financial restructuring cost £11.1m; head office rationalisation, including the loss of 350 jobs, £9.6m; write-off of capitalised distribution start-up costs, £19.1m; and provisions against its development properties at Gazeley, £39.1m.

Asda accepted it had paid too much for the 60 superstores it bought from Gateway for £705m in 1989.

Losses per share came to 5.71p against earnings of 2.9p the year before. An interim dividend of 1.25p was recommended against 1.85p last year.

Lex, Page 16

Realism impresses more than magic

There are no sweeping solutions to Asda's problems, says Archie Norman, chief executive. John Thornhill reports

Mr Archie Norman, who has been chief executive of Asda for less than a month, yesterday achieved the rare feat of impressing the stock market by saying almost nothing about the future of the troubled UK grocery group.

"We are not coming in in a swashbuckling way and saying that we have the magic formula for Asda. What we have to do is look at the assets of the business and see whether there is potential for doing something better with them," he said.

Yet his comments – and the company's better-than-feared results – added 19 per cent to Asda's market value as its shares closed 5½p higher at 34½p.

Mr Norman's refusal to suggest sweeping solutions to Asda's deep-seated problems was appreciated by analysts, who said the approach smacked more of realism than reticence. "After all, he has probably not even got sensible answers to his questions yet," said Paul Smiddy, food retailing analyst at Kleinwort Benson.

But analysts can see the outlines of Asda's immediate strategy. It can be summed up in Mr Norman's statement: "It is essential to make Asda's core business work."

Over the past few years, Asda's grocery chain has lost much of its appeal while its rivals' offerings have forged ahead.

The new management's immediate priority is to restore credibility with customers by improving Asda's pricing proposition, sharpening its product offering and improving the physical appearance of its stores portfolio.

Already the company has taken several initiatives on the price front. It froze the price of 30,000 items in the run-up to Christmas and has recently introduced a range of 200 lower-priced products at its underperforming stores. Next week, Asda will launch an extra value promotion featuring hundred of products at "substantial" reductions.

According to the company, such initiatives are already bearing fruit; market research studies show Asda to be offering more competitive prices than at any time since 1987.

The company's products will also be scrutinised. Asda's George range of clothing – produced by Mr George Davies of Next fame – has been doing "quite well" with clothing sales up 25 per cent. But home goods, which account for most of non-food sales, lack "authority" and tie up capital in slow-moving stock.

As well as the all-important task of winning back customer loyalty, Asda must exploit its market position and assets far more effectively.

The company runs 200 superstores with more than 8m sq ft of selling space. It has annual sales of £4bn ($7bn) with particularly strong market shares in Scotland and North England. At great expense, it has built eight composite distribution centres supplying more than 80 per cent of its food sales and has introduced information technology systems at all its stores.

Yet as the company readily admitted: "This asset base is significantly underperforming against its profit potential."

Mr Norman yesterday expressed dismay at the "lousy" way Asda used its sales information. "I cannot tell you whether our canned vegetables are profitable or our toys. But the systems that we now have in place give us the opportunity to do that," he said. Such improvements are an obvious priority. Asda accepts it has lost the "me-too" battle it fought with the industry leaders, Sainsbury's and Tesco. But it has yet to develop a viable formula for ensuring future prosperity.

"It is going to be a very exciting task but it clearly has a lot of risk attached to it," said Mr Norman.

One immediate problem is the poor performance of Asda's 49 older stores – some of them 25 years old – where sales slipped 6 per cent during the half year.

It remains an open question whether it is worth investing heavily in these outlets and some of the more hopeless stores will no doubt be swiftly closed. But the company may choose to use some of the space more creatively – perhaps adopting a different trading format as Gateway has done by launching its Food Giant discount stores at its loss-making superstore sites.

Intriguingly, Asda said new store formats and pricing strategies would be tested with the "expectation of roll-out from 1993 onwards".

But the company has little time to tackle these concerns. It is suffering from weak sales as a result of the recession while watching its competitors increase the competitive heat with big store-opening programmes.

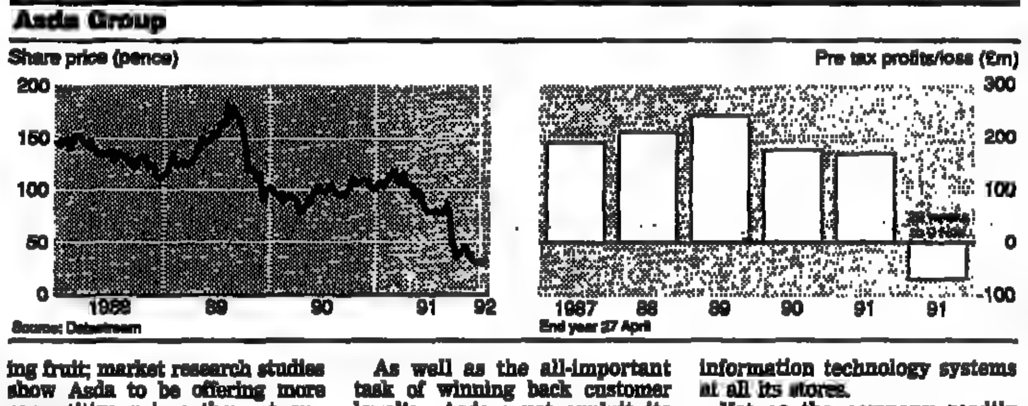
In spite of its recent £357m rights issue, Asda is saddled with debts of £568m which it will find difficult to pay down simply from trading profits.

This raises the prospect of it selling Allied Maples, its furnishings business, or disposing of its 25 per cent stake in MFI, the furniture group. But the company cannot count on selling assets in the current climate and analysts suggest it may yet have to look for further financing perhaps through a convertible bond issue.

Mr Norman yesterday seemed under few illusions about the gravity and urgency of the problems confronting him. "History does not matter to Asda any more. Survival does," he said.

Task force: chairman, Patrick Gillam (left) with Archie Norman must restore Asda's credibility

Asda Group



Shanghai exchange offers shares to foreign investors

By Simon Holberton in Hong Kong

THE development of a western-style capital market in China took a further step forward yesterday when the Shanghai Stock Exchange announced the first public offering to foreign investors of shares in a Chinese company.

The exchange said that 1m "B" shares in Shanghai Vacuum Electron Devices Company, a maker of core components for the Chinese television industry, will be offered to foreign investors on Monday and would be available for three days.

The shares, with a face value of Yn100 ($18.5), will be sold to foreigners for Yn420 each, to raise Yn420m, or $78m. They will be listed on the Shanghai exchange for trading on February 20.

Shanghai Vacuum is the most important company listed on the Shanghai exchange, representing 70 per cent of the exchange's total market capitalisation.

The success of the issue will be regarded as an indicator of China's likely success in the future with similar offerings to foreign investors.

The Chinese government and its agencies, which currently control 73 per cent of the company, expect its shareholding in Shanghai Vacuum to fall to around 50 per cent as more of the company is sold to foreign and domestic investors.

Recently 2m "A" shares were issued to the Chinese investing public.

The "B" shares on offer confer the same rights of ownership on foreign investors as the "A" shares do upon domestic investors, with respect to voting rights, dividends and participation in new share issues.

They will, however, only be able to be traded on the Shanghai exchange which will keep a registry of ownership.

As one foreign broker to the issue said yesterday, the Chinese government would always outnumber other investors on the company's share register and decisions concerning the company would always be influenced by the state.

"That's the risk you have to take when investing in a Chinese company," he said.

SBCI Asia Finance, Salomon Brothers and Sun Hung Kai, a Hong Kong finance house, are responsible for selling the shares to foreign investors.

Waiting for a more pressing time

By Raymond Snoddy in London

FIVE sophisticated colour printing presses worth around £30m ($52.6m) are being stored in a disused coach terminus in Glasgow, Scotland – as a result of the collapse of the Maxwell publishing empire.

The Koenig & Bauer presses, capable of producing an 80-page newspaper with top quality colour, were destined for Mirror Group Newspaper's Scottish titles – the Scottish Daily Record and the Sunday Mail.

They were ordered in the days when the late Mr Robert Maxwell was still expanding and enthusiastically introducing the latest colour technology to his newspapers.

Now they are stranded a couple of streets away from the Scottish Daily Record headquarters at Anderson's Quay under 24-hour security in a covered section of the terminus where buses used to be repaired. The last of them arrived about five weeks ago.

There seems little chance in the foreseeable future that MGN will be able to afford the more than £50m needed to build a new press hall and install the presses and associated machinery.

Meanwhile, the Daily Record and Sunday Mail, which had advertising and circulation revenues of £76m in 1990, has to pay leasing charges on the presses of more than £6m a year. Three of the presses are the property of Barclays Bank and the other two belong to the Royal Bank of Scotland and have plates attached to prove it.

It seems likely that their future will not be determined until the future of Mirror Group Newspapers itself is decided when the administrator of the Maxwell private interests manages to sell the 51 per cent of the company now effectively owned by the banks.

The five presses were ordered in the days when Robert Maxwell had grandiose visions of printing The European in Paris and becoming a leading contract printer in France. When that came to nothing the presses were then diverted to Anderson's Quay where the Record, the largest selling daily newspaper in Scotland, needed more modern equipment.

Work began 18-months ago driving piles into the banks of the River Clyde to strengthen the floor of the press hall. It stopped about a year ago as the Maxwell empire began to come under financial strain and has not been resumed even though the Daily Mirror now has crisper colour than the Daily Record.

Pension losses, Page 24

European sales offset GM, Ford losses in N America

By John Griffiths

FORD and General Motors yesterday announced record sales in western Europe last year, helping to offset their sharply deteriorating market performances and heavy losses in North America.

Ford, second behind GM in North America, outperformed its rival in Europe, claiming 1.58m sales, compared with GM's 1.565m.

Ford's sales increased by 4 per cent, or 28,000 units, on 1990, and by 2 per cent on the previous record year of 1989.

GM sales set a record for the seventh year in succession, but were up only 1 per cent – or 15,000 units.

With total west European car sales still being finalised, the precise market shares of both companies have yet to be identified. Both, however, are expected to trail well behind the market-leading Volkswagen group.

Ford said its Fiesta model set its own sales and production records to become the best-selling model in its class. Both sales and output rose by 2 per cent, two 615,000 and 620,000 respectively.

Despite a poor reception for the latest Escort/Orion range in the UK, sales throughout the region as a whole jumped by 24 per cent last year, to 620,000.

Sales of Ford's larger cars, Sierra and Scorpio, declined; Sierra by 0.4 per cent to 271,000 and Sierra by 0.2 per cent to 69,000.

In percentage terms at least, by far the biggest sales jump for Ford – from 1,200 to 7,200 – came in sales of US-produced cars, particularly its Probe coupe. Ford expects a boost from the Probe from 1993, when it is expected to be sold in right hand drive form as the Capri in the UK.

Adam Opel lifts turnover 15%

By Andrew Fisher in Frankfurt

ADAM OPEL, the German subsidiary of General Motors, raised turnover last year by 15 per cent to around DM27bn ($17bn) and increased its sales in Germany by 26 per cent to 719,000 cars, Mr Louis Hughes, the chief executive, said.

He also warned that excessive pay rises this year could endanger jobs in Germany. "I am very worried about wage developments in Germany," he said. The IG Metall trade union this week set a 9.5 per cent ceiling for regional pay claims; last year's pay settlement in the engineering sector was 6.7 per cent.

Mr Hughes declined to give any indication of Opel's profits for last year, but said the result would again be one of the best in the German motor industry. In 1990, net profits advanced by 18 per cent to DM1.3bn.

He said the jump in sales in 1991 occurred despite a 5 per cent fall in production caused by the replacement of the Kadett by the new Astra family model; the difference was made up by imports from other GM plants in Europe. This year, Mr Hughes expected the German new car market to decline after last year's surge in demand after unification.

"We expect a marked drop in the German market from 4.2m to around 3.5m units," he said. This would be a 17 per cent drop, but sales in 1992 would still equal the second best year in western Germany.

Louis Hughes: result would again be one of the best in the German motor industry

Henkel expects profits to be flat

By Christopher Parkes in Bonn

HENKEL, the German chemicals and consumer goods maker, increased sales last year by about 8 per cent, but net profits are expected to be about the same as 1990's DM429m, Mr Helmut Sihler, chairman, said yesterday.

Confirming the purchase, announced in Stockholm last week, of the Barnängen household and personal products company from Sweden's Nobel Industrier, Mr Sihler said the acquisition had cost DM900m ($569.6m). It had increased turnover in cosmetics to 10 per cent of the group total.

Henkel had achieved "critical mass" in several European markets. "Cosmetics is now a very profitable business," Mr Sihler said, although a greater presence in Britain would be welcome.

Barnängen is best known in Britain for Aapri skin care products, in France for Le Chat, and in Germany for Vademecum toothpaste.

Household detergents and cleaning products, a Henkel speciality accounting for 32 per cent of group sales, comprise 15 per cent of Barnängen's turnover. Personal products, including the Fa and Poly brand names, account for a further 76 per cent.

The deal includes between DM150m and DM200m of debt, Mr Sihler added. It would be funded from group reserves and borrowings.

Henkel expects sales in the current year to increase from DM12.9bn in 1991 to around DM14bn.

Associated British Ports hit by provisions

By Andrew Bolger in London

ASSOCIATED British Ports Holdings, the UK's biggest ports group after privatisation in 1983, said that provisions on its property portfolio had wiped out the group's profits in the second half of last year.

The continuing deterioration of the British property market caused the group to review the portfolio of Grosvenor Square Properties, its wholly owned subsidiary, and make provisions against the cost of developments completed and in progress at the end of 1991.

ABP said these exceptional provisions were likely to absorb most, if not all, of the profits achieved within the group's other businesses during the second half of 1991, so full-year pre-tax profits were likely to be little different from the £31.7m ($56.74m) achieved in the first half.

The group said income from the group's port and transport business and from investment properties continued to be satisfactory, so directors expected they would be able at least to maintain the final dividend of 4.5p per share.

ABP's shares were 4p lower at 319p yesterday, having fallen more than 40p last week on speculation that there would be provisions and write-downs on property.

The group said it had organised a revaluation of the investment portfolio of Grosvenor Square Properties, comprising three shopping centres transferred from the development portfolio during 1990 and some other income-producing properties transferred from the development portfolio during the second half of last year. It expected this would lead to a write-down, charged to reserves.

The ports group inherited considerable property assets at the time of privatisation and extended further into property when it bought the USM-quoted Grosvenor Square Properties for £18m in 1987.

ABP said its balance sheet remained strong, with net borrowings at the year-end of £335m, a reduction of 26m since the previous year.

Olivetti reveals difficulties with 5% decline in demand

By Haig Simonian in Milan

OLIVETTI, the loss-making Italian computers and office equipment group, yesterday gave an insight into its trading difficulties by announcing a decline in sales of around 5 per cent to L8,600bn ($7.17bn) for last year.

No figures for profits were released. However, some analysts expect the company to report a loss of at least L200bn for 1991, compared with net earnings of L60.4bn in 1990.

At a press conference held to coincide with the group's move to a simplified operating structure, Mr Elserino Piol, Olivetti's director for central operations, was confident that measures now under way would restore profitability this year.

The downturn has been particularly acute in Europe. According to industry sources, European demand for computer hardware fell by 4.9 per cent in 1990-91 and would be static in 1991-92, while prices fell by 35 per cent to 40 per cent in 1990-91.

Mr Bruno Lamborghini, Olivetti's director of economic research, warned that oversupply, coupled with soft demand and the continuing shift to smaller but more powerful computers, meant further price cuts were inevitable this year. However, the reductions were likely to be less severe than in 1990-91.

Olivetti intends to confront the crisis with a mixture of innovation, cost savings in the form of across-the-board labour cuts and further transfers of production from Europe to cheaper manufacturing regions such as Singapore.

In stormy meetings with unions last week, the company called for a further 2,500 job cuts in Italy this year. Unspecified redundancies are also expected at the group's foreign operations, which employ around half its 47,000 workforce.

Olivetti hinted that cuts could hit its Triumph Adler subsidiary in Germany, which has already closed one plant in Frankfurt.

The decision to move production outside Europe would focus on lower-cost products, such as office equipment, in which Triumph Adler specialises. Olivetti's presence in office equipment products would be "rationalised," it warned.

Treuhand to rule on petrol bids

By Leslie Colitt in Berlin

THE TREUHAND agency's managing board is to choose today between rival bids for eastern Germany's lucrative Minol petrol stations which are being sold in combination with the loss-making Leuna refinery.

A British Petroleum-led consortium including Total, the French oil company, Norway's Statoil, Agip of Italy and the Austrian OMV, is competing against a consortium led by Thyssen Handelsunion which includes Elf-Aquitaine, partly-owned by the French government, and Deutsche SB-Kauf.

Minol made a profit of DM250m ($158m) in 1990 while the obsolescent Leuna refinery contributed 50 per cent of the DM2.1bn turnover of Leuna chemical works which had losses of DM360m last year. The Treuhand is selling them as a package in order to find a buyer for the hard-to-sell refinery which is closely integrated with the Leuna chemical plant.

A Treuhand official said the Thyssen-led consortium appeared to have an advantage as it was offering more than DM6bn in investments to build a new Leuna refinery and pipeline and to modernise the petrol stations. One of the agency's conditions was that the new owner must supply the chemical plant with advantageously-priced products.

BP, which entered the east German market soon after the collapse of the communist regime, had been confident that this had put it in a favourable position, an official said. However, BP did not obtain the subsidies it had counted on. Both London and Paris lobbied strongly in Bonn.

Minol's 1,300 petrol stations in eastern Germany have higher sales per pump than equivalent stations in the west and the company is expected to profit heavily from the sharp growth in car ownership.

Neste to sell rest of battery stake

By Robert Taylor in Stockholm

NESTE, the Finnish state-owned oil and chemicals conglomerate, plans to sell for an undisclosed amount its remaining 50 per cent stake in its battery division to S E Del Acumulador Tudor (Grupo Tudor) of Spain, one of Europe's leading battery companies.

It was in March 1990 that Tudor bought the first half of the battery division from Neste. In a statement, Tudor said its intention was to create a pan-Nordic subsidiary company with an annual SKr1bn ($170m) turnover, specialising in the production of batteries for vehicles and industry as part of the group's European restructuring programme.

"The Neste battery division has made large losses and the group needs a strong owner," said Mr Ulf Hogland, vice-president of the Tudor group. Efforts are being made to reduce the division's costs which Tudor says are too high in a very competitive market.

Since 1987, the Spanish company has cut its labour force in the Nordic region to 750 from 1,400 and rationalisation will continue.

Daiwa and Bankers Trust advise Rosneftegas

By Anthony Robinson, East Europe Editor

BANKERS Trust, the US merchant bank, and Daiwa Europe, the European arm of the Japanese investment banking house, have been appointed joint financial advisers to the Russian Oil and Gas Corporation (Rosneftegas).

They will assist in planning and implementing a comprehensive re-organisation of the industry into competing, vertically integrated oil companies open to foreign investment and technical assistance.

The corporation, which groups together the 47 main Russian oil production, exploration and related service enterprises, was responsible for about 90 per cent of the estimated 500m tons of oil produced in the former Soviet Union last year. It is essentially a reincarnation, under the guise of a joint stock company, of the former Ministry of Oil and Gas Industry which it replaced in October 1991.

The decision to involve leading US and Japanese bankers as advisers in the re-organisation of the ailing industry reflects the top priority given to raising the efficiency of the Russian oil and gas industry.

Production has declined by around 100m tonnes over the past three years. A report prepared for the Russian government by Moscow's Institute of World Economy and International Relations predicted this week that Russian oil output could fall to between 280m-300m tonnes by the mid-1990s from a 1988 peak of 569m tonnes. It blamed low investment, poor extraction techniques and maintenance, outdated equipment and poor management. At least 22,000 production wells are currently idle.

Bankers Trust is currently serving as financial adviser to the Tobolsk petrochemical project in western Siberia, the largest energy related investment project currently under way in Russia.

The choice of Daiwa partly reflects Moscow's desire to attract Japanese and other Asian investment in the development of energy and other resources.

Bank of Boston's merger talks with Shawmut fail

By Alan Friedman in New York

TALKS on a merger between Bank of Boston and Shawmut National Bank that would have created the largest bank in New England, collapsed yesterday after Shawmut found the terms of the planned merger unacceptable.

Shawmut said the reason it had terminated discussions was the extent of its financial recovery.

Mr Joel Alvord, chairman of the Connecticut-based Shawmut, said an improvement in earnings, asset quality, loan-loss reserve coverage and capital ratios had persuaded the bank that its best interests would not be served by the merger.

Mr Alvord said Shawmut would next week report fourth-quarter results showing the improved performance.

Mr Ira Stepanian, chairman of Bank of Boston, said he also expected improved fourth-quarter results. He said that after an independent review of the due diligence study of the merger the terms for the proposed deal were found to be unacceptable to Shawmut.

Both Shawmut and Bank of Boston have been hard hit by the real estate crisis in New England and both suffered heavy losses in the first six months of 1991, of $175.4m (Shawmut) and $138m (Boston). Both banks achieved a small profit in the third quarter; Shawmut earned $2.3m and Bank of Boston $18m.

Last October, Shawmut entered into an agreement with the Federal Reserve Bank of Boston that required Fed approval for the payment of dividends and other decisions. At the time, the merger talks appeared to be on track.

Analysts have said Shawmut and Bank of Boston were having difficulties assuring bank regulators they would be able to raise an estimated $625m in fresh capital in conjunction with the merger.

Wall Street nonetheless seemed cheered that the merger was off. Bank of Boston's stock price rose by ¾ to $14¼ yesterday morning, while Shawmut's price jumped by $1¼ to $11⅝.

● Fleet/Norstar, the Rhode Island-based bank that joined forces last year to acquire the failed Bank of New England (BNE), yesterday reported fourth-quarter net income of $35m, compared with a loss of $56m a year ago.

The bank earned $98m for the whole of 1991, following $73m of after-tax charges related to the BNE acquisition and $321m of loan loss reserves.

CrossLand ruling expected soon

By Alan Friedman in New York

US BANK regulators are expected to decide shortly on the fate of CrossLand Savings, the loss-making New York savings and loan that has been for sale since signing a consent order with the Federal Deposit Insurance Corporation (FDIC) and Office of Thrift Supervision (OTS) last July.

The leading bidders for the 49-branch CrossLand are Chase Manhattan and Republic National Bank of New York.

Republic, which is 30 per cent owned by Mr Edmond *Safra, the Swiss-based* Lebanese banker, yesterday officially confirmed for the first time that it had submitted a bid for CrossLand's New York retail deposits to the FDIC.

CrossLand, an aggressive real estate lender in the New York area during the late 1980s, suffered losses of $306m in the first nine months of 1991, and its asset bank was lowered from $11.7bn to $9.2bn.

Some $1.5bn of CrossLand's assets are non-performing.

Whether Chase or Republic are awarded CrossLand, the cost to the US government of salvaging the bank is expected to be at least $1bn, and possibly as high as $2bn.

Republic, meanwhile, yesterday said its net income for the fourth quarter of 1991 *rose by 17.7 per cent to $58.2m.* For the whole of 1991, Republic's net profit was 13 per cent higher at $227.4m.

Republic's net interest income in 1991 totalled $581.2m, compared with $457.3m in 1990, while loan-loss provisions were a low $62m last year. Non-performing assets rose only slightly year-on-year, from $164.4m to $173.98m.

The bank has an unusually low lending profile, and its deposits are divided among private banking (38 per cent), retail (37.5 per cent) and institutional funds (24.5 per cent).

Republic's share price was unchanged yesterday at $47½ at midday trading.

● Bank of New York yesterday reported $66m fourth-quarter *net income*, a slight improvement over the $65m earned a year ago. But a heavy loan loss provision taken in the first quarter of last year resulted in a 60.4 per cent slump in full-year 1991 net income, to $122m, down from $308m in 1990.

Charges push Alcoa into $191m loss

By Barbara Durr in Chicago

ALCOA, the world's largest producer of aluminium, suffered a sharp fall in fourth-quarter earnings as a result of heavy charges, amounting to $217m, relating to environmental clean-ups and restructuring costs.

Before the charges, fourth-quarter earnings were $25.6m, or 30 cents a share, compared with $134.6m, or $1.56, for the 1990 quarter.

After the charges, Alcoa posted *a loss of $191.4m*, or $2.26, in the final quarter of 1991, against a loss of $140.4m, or $1.61, for the year-ago period.

The company had warned it would take the charges earlier this month.

They are primarily related to cleaning up several operating plants around the globe, though the costliest is for its smelting and fabricating plant in Massena, New York.

With prices having dropped for virtually all aluminium products last year, the company reported *that before* the charges, its 1991 net income was $279.7m, or $3.27 a share, compared with $570.2m, or $6.59, in 1990.

Once the charges were taken, the 1991 net income shrank to $62.7m, or 71 cents, compared with $295.2m, or $3.40, in 1990.

For the fourth quarter, Alcoa's revenues were $2.4bn, down from $2.7bn in the year-ago period, while revenues for all of 1991 slipped to $10bn, down from $10.9bn in 1990.

Shipments increased last year to 2.8m metric tons from 2.7m in 1990.

Gengold profits decline sharply

By Philip Gawith in Johannesburg

GENGOLD, the gold arm of the Gencor group, saw attributable profits drop sharply in the December quarter as a result of a weaker gold price and higher capital expenditure.

Profits after tax and capital expenditure dropped by 56 per cent to R22.4m (US$8m) from R51m in the September quarter. The December figure is, *however, in line with profits* earned in the March and June quarters.

Mr Gary Maude, managing director, said the figures disguised positive trends which augured well for the rest of the year.

The main cause of the lower profits was an R18m increase in capital expenditure to R52.3m compared to the previous quarter. Future capital expenditure will be lower.

Profits were also hit by the lower average gold price received by the 11 mines in the group. At R32,578 per kg, it was 2.4 per cent lower than the R33,385 price of the previous quarter. Total gold produced during the quarter rose by 1.6 per cent to 18,114kg, at an average grade of 5.1 grams/tonne.

Total working costs rose by 3 *per cent to R499.5m*, but Mr Maude said this reflected the build up for increased production, particularly at Winkelhaak and Unisel.

Both mines have started increasing production and will continue to do so throughout the year. They have recruited extra labour, following a long period of retrenchments.

Of the five large mines in the group, St Helena and Buffelsfontein did well to produce more gold and decrease unit costs; Kinross and Beatrix had steady quarters while gold output increased at Winkelhaak.

Of the marginal mines, Grootvlei, a mine threatened with closure a year ago, continues to improve its performance, while Mr Maude said West Rand Cons was battling to stay alive.

Commenting on Gengold's recently introduced hedging operations, Mr Maude said they were increasingly using the options rather than the futures market.

He said they felt this was a much more responsible method of hedging because it did not involve putting more physical product on to the market and hence reduced the prospect of depressing the bullion spot price.

Motorola improves to $126m in last quarter

By Louise Kehoe
In San Francisco

MOTOROLA, the leading US electronics and semiconductor manufacturer, reported *improved fourth-quarter* results, buoyed by the performances of its semiconductor, cellular telephone and paging businesses.

Fourth-quarter income rose to $126m, or 96 cents a share, from $109m, or 82 cents, in the fourth quarter of 1990. Sales for the quarter rose 4 per cent to $3.04bn from $2.95bn in the same period last year.

Fourth-quarter results *reflected "sluggish economies* in the US and Europe", said Mr George Fisher, chairman and chief executive.

"This impact should continue to be felt in the first half of 1992 with the potential for modest economic growth in the second half."

Sales for the full year increased 4 per cent to $11.34bn, from $10.88bn in 1990. However, earnings declined to $454m, or $3.44 per share, from $499m, or $3.80, in the previous year.

Motorola said sales of its communications products rose 2 per cent in 1991, against the previous year, while semiconductor products sales rose 7 per cent.

However, the company's computer sales fell 2 per cent and the information products group recorded increased oper*ating losses for the year. The* company also recorded losses due to investments in a proposed global communications system called Iridium.

Military and government sales fell 8 per cent, in spite of a significant contract for secure telecommunications equipment from Saudi Arabia. The automotive and industrial electronics group reported an 8 per cent increase in sales.

Intl Paper registers 33% drop in earnings

By Martin Dickson

INTERNATIONAL Paper, the large US forest products group, announced a 33 per cent drop in fourth-quarter earnings, once special charges are stripped out of the figures.

The company blamed this mainly on the sluggishness of the US economy and said it expected difficult business conditions to continue early this year.

Fourth-quarter earnings totalled $68m, or 59 cents a share, including a $4m after-tax special charge for an accounting change and a $37m one for severance costs. In the fourth quarter of 1990 earnings totalled $23m, or 20 cents a share, *after a $137m charge* for a business improvement plan.

Without the special charges, 1991 fourth-quarter earnings totalled $107m, compared with $160m the previous year.

Mr John Georges, chairman, added that sales and earnings in the fourth quarter "about equalled second and third-quarter levels as the domestic economy remained stagnant".

Full-year earnings totalled $184m, or $1.66 a share, after $231m of special charges, compared with $569m, or $5.21 a *share in 1990 after $137m of* special charges.

Sales dipped 2 per cent to $12.7bn.

Mr Georges said the company's packaging and distribution business reported stable quarter-to-quarter earnings.

Timber and wood products businesses had higher earnings while domestic linerboard benefited from increased demand and prices.

Airlines rally amid AMR optimism

By Nikki Tait in New York

AMERICAN Airlines, one of the largest US carriers, yesterday sparked a rally in US airline stocks when its parent company, AMR, accompanied news of a $239.9m net loss in 1991 with suggestions that ticket prices were finally firming.

The carrier, which *traditionally* kicks off the US industry's reporting season, had already warned that it would probably make losses in both the *fourth quarter* and 1991 overall, and analysts' expectations had been pitched accordingly.

In the event, AMR's after-tax deficit for the final three months totalled $124.9m, or $1.83 a share.

This figure, however, included an aggregate $59.6m charge for the writedown in value of some Boeing 737 and 747SP jets, which are to be retired soon, plus some commuter aircraft.

At the operating level, AMR showed a much smaller fourth-quarter loss of $41.4m, and a profit of just $5m for the year.

Operating revenues were $3.4bn *in the final three* months and $12.9bn for the year.

Comparisons with the previous year are heavily distorted by the impact of the Gulf war and the associated fuel prices hike.

This savaged airline profits in late-1990, and AMR itself made a fourth-quarter operating loss of $245.1m.

In 1989 and 1988, by contrast, the company *turned in* operating profits of $70m and $180.4m respectively in this final three-month period.

Mr Bob Crandall, AMR chairman and one of most gloomy voices in the industry over the past 18 months, made *no apologies for the 1991* figures.

Mr Crandall described the figures as "terrible", adding that "the best thing you can say about last year is that it's over".

But he sounded a much more optimistic note about current trends.

"In recent weeks, we have been encouraged by the downward trend in fuel prices and by some modest indications that some semblance of rationality may be returning to the airline *pricing environment*," he said.

Many of the US airline industry's problems have stemmed from cut-throat discounting in the domestic market, with financially-troubled carriers proving particularly aggressive.

During 1991, however, three sizeable carriers ceased operations and, although some bankrupt or defaulting airlines remain in business, industry observers have noted some firming of domestic prices recently.

On Wall Street, AMR's own shares rallied by $2⅝ to $74½ at midday.

Its biggest competitors, United Airlines and Delta, gained $4⅝ and $3⅛ to $157 and $73⅝ respectively. USAir, which has been heavily loss-making and is biased towards the east coast, gained $1¼ to $16⅝.

MIM slides 76% on lower metal prices

By Kevin Brown in Sydney

MIM HOLDINGS, the Australian mining group, yesterday blamed lower base metal prices and coal production problems for a 76 per cent fall in net operating profits to A$16m (US$12.3m) for the six months to December 15.

The group made a profit of A$61.7m after an abnormal profit of A$45.7m from the sale of its interest in Teck Corporation as part of a deal in which it doubled its shareholding in Cominco, the zinc, lead and copper producer, to 22.5 per cent.

However, after net exchange losses of A$2.1m and minority interests of A$12.1m, net profit attributable to shareholders was A$47.5m, an increase of 28 per cent on the comparable period of the previous year.

MIM said sales fell from A$935m to A$840m, mainly because of lower metal prices – copper prices fell by 15 per cent, lead by 32 per cent and zinc by 27 per cent.

Copper production at the Mount Isa mine in Queensland was adversely affected by contamination difficulties and abnormal winds on smelter operations.

The Oaky Creek coking coal operation suffered a loss of A$24m for the six months, mainly because of delays in the *changeover from the first* panel in the longwall unit. Production from the second panel began in late December.

MIM said that base metal prices remained weak because *of a lack of demand caused by* the recession.

It added that signs of recovery in the US appeared to have been premature.

The directors declared an unfranked interim dividend of 2 cents a share, a reduction of 1 cent on last year's interim dividend.

● Highlands Gold, a 65 per cent subsidiary of MIM, reported net profits of K26.9m ($28.3m) for the *six months*, compared with K10.5m the previous year.

Highlands said the result was largely due to its share of production from the Porgera gold mine, in the highlands of Papua New Guinea (PNG).

Highlands has a 30 per cent interest in the project, co-owned by Placer Pacific (30 per cent), Renison Goldfields Consolidated (30 per cent) and the PNG government (10 per cent.)

Highlands said that its share of Porgera sales for the six months amounted to 197,800 ounces of gold and 63,400 ounces of *silver, which* provided revenue of K40.7m before tax.

The company said Porgera *had* "passed an important milestone" in the second quarter, when a number of important construction projects were completed, increasing the gold recovery rate.

The directors declared an interim dividend of 2 toea per share.

Telecom groups to invest $150m in Ukraine deal

By Ronald van de Krol in Amsterdam

AMERICAN Telephone & Telegraph (AT&T)and its two partners in a new Ukraine joint venture set up earlier *this week plan to invest a total* of $150m over the next few years in establishing and operating a telecommunications network in the former Soviet republic.

AT&T and PTT Telecom, the Dutch telecommunications authority, are to lend the majority partner in the venture, the Ukraine state committee of communications, the capital it needs to take part.

The two western companies will then be repaid out of the revenue generated by the *telecommunications system*, which encompasses both a new international network and a long-distance domestic network which will link 13 of Ukraine's 25 telephone networks.

The Ukraine state committee will own 51 per cent of the joint venture, AT&T will hold 39 per cent and PTT Telecom 10 per cent.

The venture is the first time that either AT&T or PTT Telecom has owned and operated part of a telephone network outside their own countries.

Mr Sam Willcoxon, AT&T's international group executive, said each of the former republics of the Soviet Union was now confronting decisions on how to set up modern communications as *independent states*.

"Some appear to be interested in arrangements like this, others are not," he said.

Until now, Ukraine's international telephone traffic and that of the other former republic have largely been routed through Moscow.

The Ukraine agreement, which was signed on Tuesday in Kiev, will continue for 15 years, with an option on a five-year renewal.

AT&T's portion of the investment will take the form of 13 digital switching stations which will be used to connect half of Ukraine's telephone districts.

Mr Ben Verwaayen, *president of PTT Telecom*, said that his company expected to break even on its investment after four to five years and *then reap a profit over the* rest of the life of the contract.

Besides helping to create *new international* and long-distance networks, AT&T and PTT Telecom will also assist Ukraine in drawing up a short-term proposal for nearly doubling the number of telephone lines in the country from 7m to 13m.

It is estimated that the additional 6m lines will require an investment of roughly Fl 2bn ($1.1bn).

By the year 2000, a further expansion to 22m lines is envisaged.

Although AT&T and PTT Telecom are not guaranteed a *role in any future projects*, their participation in Ukraine's first steps towards creating a modern telecommunications *infrastructure is expected* to provide them with an advantage over other western competitors.

Boise Cascade $15.8m in red on poor pulp prices

By Martin Dickson in New York

BOISE CASCADE, the US forest products group, yesterday reported a fourth-quarter loss of $15.8m, compared with net income of $4.8m in the same period of 1990.

The company was hit by depressed prices in its key pulp and paper businesses.

Boise's net loss worked through at 51 cents a share, against profits of 4 cents in the fourth quarter of 1990.

Results for the latest period included a gain of 61 cents a share from the sale of its interest in a European corrugated container joint venture.

Sales totalled $963m, down from $1bn a year ago.

The company said the fourth quarter was modestly stronger than the third, and cited four main factors for the weak performance.

One was adverse market *conditions*, which had *driven* down prices for all of the company's grades of pulp and paper over the year.

Another was the high costs of wood in the Pacific north-west, where environmental pressures to save a species of owl have led to constraints on timber supplies.

Costs had increased for wood chips to the company's pulp and paper mills and for delivered logs *to its* wood products operations.

Other factors were high interest and depreciation charges in *connection with a* $2.2bn investment programme and squeezed profit margins in office products distribution.

For the full year, the group reported a net loss of $79.5m, or $2.45 a share, compared with a profit of $75.3m, or $1.52, in 1990.

Strong drug sales help AHP to advance 14%

By Karen Zagor in New York

AMERICAN Home Products, the US pharmaceutical company, yesterday turned in a 14 per cent gain in fourth-quarter net earnings on the back of strong sales of several drugs for women.

For the three months to end-December, the company earned $372.6m, or $1.18 a share, against $328.2m, or $1.04, a year earlier. Last year's earnings included a large one-time gain which lifted net income by about $35m in the quarter.

Sales in the 1991 fourth-quarter rose 13 per cent to $1.82bn *from $1.61bn.*

For the full year, net income grew 14 per cent to $1.38bn, or $4.36 a share, from $1.23bn, or $3.92, in 1990. Sales advanced 11 per cent to $7.08bn from $6.78bn.

Non-recurring items in 1990 added about $105m to American Home Products net income last year.

Although the results were in-line with analysts' expectations, *its shares eased $1⅞ to $75⅝ at midday yesterday.*

The company surprised Wall Street in the third quarter with exceptionally strong earnings, but it continues to lag behind the leading pharmaceutical companies, such as Merck.

Its pre-tax income increased 12 per cent in the fourth quarter. For the full year, earnings before taxes fell 4 per cent, reflecting several one-time items.

Excluding extraordinary items, pre-tax income rose 18 per cent in 1991.

Sales are increasingly driven by its pharmaceuticals business, and in 1991 pharmaceuticals sales rose 16 per cent to $4.02bn.

Cragnotti group acquires loss-making food concern

By Haig Simonian in Milan

CRAGNOTTI & Partners Capital Investment (C&P), the investment group formed by Mr Sergio Cragnotti, which includes several leading international banks among its shareholders, yesterday sealed its purchase of Fedital, the loss-making Italian foods group.

The acquisition, which followed a three-round auction last month, marks a double first.

Firstly, it represents C&P's first European acquisition as *part of its plans* to assemble a portfolio of businesses in the food industry. The food sector is one of the three areas, *alongside packaging and detergents*, identified by Mr Cragnotti as ripe for investment.

Since its *formation* last year, C&P has spent heavily to buy companies in both other areas. However, purchases in the foods sector have so far been limited to CICA, a large, privately-owned Brazilian tinned foods group.

The sale of Fedital also marks the first large asset disposal by the special commissioners and court supervising the affairs of Federconsorzi, the bankrupt Italian farm services group.

Fedital, which has a sizeable market share for long-life milk in southern Italy, specialises in dairy and cheese products.

In spite of its established Polenghi Lombardo trademark, other bidders for the company are believed to have been dissuaded by the considerable uncertainty surrounding the group's accounts.

Under the sale agreement to C&P, the L55bn ($46.3m) offer price can be cut by L10bn subject to the findings of an audit now under way.

Mr Cragnotti, who used to run the Enimont chemicals *joint venture*, said C&P would recapitalise the group and seek agreement with unions on substantial job cuts.

C&P *remained* interested in other purchases in the foods sector, notably in the event of disposals by the state-owned IRI holding company.

Turnround at marginal mine lifts Anglovaal

A *TURNROUND* in the performance of the marginal Loraine mine allowed the four gold mines in the Anglovaal group to increase net profits by 14 per cent to R41.6m (US$14.9m) in the December quarter, writes Philip Gawith.

Last year, management announced that a return to profitability – following an R18.9m loss in the year to September – meant Loraine should be able to stay open for at least a further year.

The mine made a R2.8m profit in the December quarter, against a R2.6m loss the previous quarter, after a rationalisation of the mine's operations.

However, the mine has to secure satisfactory hedging prices for at least half its production. The gold price has declined to R31,000/kg, compared with R32,700/kg when the announcement was made.

Hartebeestfontein, which produces more than 80 per cent of the group's profits from gold, had a steady quarter, with profit after taxation of R34.4m, virtually unchanged *from the previous quarter.*

[illegible] Kilogram [illegible] ended [illegible] (R/kg) [illegible] ended

Gengold

- **Dividends**
  - Buffelsfontein 90 cents per share
  - Grootvlei 25 cents per stock unit
  - St Helena 150 cents per share
  - West Rand Cons. 20 cents per share
  - Stilfontein passes its final dividend.

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31 DECEMBER 1991

All companies mentioned are incorporated in the Republic of South Africa

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02088/06

State assistance for pumping water

Issued capital – 11 438 816 stock units of 25 cents each.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991	Year ended 31.12.1991
Mined (m²)	30 347	29 297	[illegible]
Ore milled – underground (t)	120 000	118 000	463 000
– surface dumps (t)	–	–	3 000
– total (t)	120 000	118 000	466 000
Yield – underground (g/t)	5,1	[illegible]	5,1
– surface dumps (g/t)	–	–	1,0
– combined (g/t)	5,1	5,2	5,1
Gold produced (kg)	616	610	2 378
Working revenue (R/kg)	32 599	33 610	32 253
Working costs (R/kg)	29 000	28 043	28 771
(R/t milled)	148,87	144,97	146,84
Working income (R/kg)	3 599	[illegible]	3 482
Gold price received (R/kg)	32 504	33 489	32 112
($/oz)	358	362	365
FINANCIAL RESULTS (R'000)			
Working revenue	20 081	20 502	76 601
Working costs	17 864	17 106	[illegible]
Working income	2 217	[illegible]	[illegible]
Sundry income – net	2 359	1 758	6 964
Tribute payments – net	180	294	–
Income before taxation and State's share of income	[illegible]	4 860	15 233
Taxation and State's share of income	(784)	[illegible]	3 007
Income after taxation and State's share of income	5 180	3 012	12 226
Capital expenditure	5 117	413	9 618
Dividend declared	2 860	–	6 292

DEVELOPMENT	Quarter ended 31.12.1991 Black Reef	Kimberley Reef	Quarter ended 30.9.1991 Black Reef	Kimberley Reef	Year ended 31.12.1991 Black Reef	Kimberley Reef
Advanced (m)	398	1 487	297	1 192	1 281	4 703
Advanced on reef (m)	191	748	182	666	732	2 632
Sampled (m)	191	738	181	668	725	2 778
Channel width (cm)	109	13	115	13	115	12
Average value – gold (g/t)	22,2	32,1	16,3	28,5	13,8	34,4
– (cm.g/t)	2 414	418	1 874	367	1 589	425

REMARKS
- Estimated capital expenditure for the next six months – R3,0 million.
- Final dividend No. 108 of 25 cents per stock unit was declared.
- In a letter dated 17 December 1991, the Minister of Mineral and Energy Affairs confirmed that State assistance not exceeding R3,9 million would be granted in the 1992/93 fiscal year to defray the operating costs of pumping extraneous water. Capital expenditure this quarter includes an amount of R4,8 million for the initial installation of pumping facilities.
- Hedging profits of R100 000 from the forward sale of 2 188 oz of gold are included in working revenue. Contracts for 7 481 oz are still outstanding at an average price of R1 113 per oz.

STILFONTEIN Gold Mining Company Limited

Company Registration No. 08/33412/06

Closure according to plan

Issued capital – 13 082 920 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991	Year ended 31.12.1991
Mined (m²)	14 204	21 709	89 498
Ore milled – underground (t)	84 000	111 000	489 000
– surface dumps (t)	459 000	382 000	1 575 000
– total (t)	523 000	493 000	[illegible]
Yield – underground (g/t)	5,9	4,4	4,3
– surface dumps (g/t)	0,9	0,8	0,8
– combined (g/t)	1,8	1,7	1,8
Gold produced (kg)	[illegible]	848	3 489
Working revenue (R/kg)	[illegible]	33 259	32 279
Working costs (R/kg)	38 380	33 582	36 093
(R/t milled)	61,35	57,76	63,35
Working loss (R/kg)	5 820	323	3 814
Gold price received (R/kg)	[illegible]	33 223	32 214
($/oz)	360	360	364
FINANCIAL RESULTS (R'000)			
Working revenue	27 220	28 204	[illegible]
Working costs	25 539	27 282	[illegible]
Retrenchment costs	8 560	1 196	[illegible]
Working loss	[illegible]	274	13 310
Additional development V.C.R.	–	–	1 498
Sundry income – net	319	1 136	4 369
Tribute payments – net	164	843	2 116
Income/(loss) before taxation and State's share of income	(4 701)	218	[illegible]
Taxation and State's share of income	–	–	–
Income/(loss) after taxation and State's share of income	(4 701)	218	[illegible]
Capital recoupment	2 359	3 419	9 604

DEVELOPMENT	Quarter ended [illegible] Vaal Reef	V.C.R.	Year ended 31.12.1991 Vaal Reef	V.C.R.
Advanced (m)	30	14	88	818
Advanced on reef (m)	12	11	37	218
Sampled (m)	15	10	40	225
Channel width (cm)	10	18	10	44
Average value – gold (g/t)	249,0	8,3	223,5	12,3
– (cm.g/t)	2 490	80	2 235	538
– uranium (kg/t)	2,080	0,113	2,128	0,095
– (cm.kg/t)	20,80	1,76	21,28	4,14

REMARKS
- Estimated capital expenditure for the next six months – Nil.
- Underground mining operations will cease during the following quarter.
- No final dividend has been declared.
- Hedging profits of R137 000 from the forward sale of 3 008 oz of gold are included in working revenue. Contracts for 10 288 oz are still outstanding at an average price of R1 113 per oz.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/33934/06

Cost per kilogram contained

Issued capital – 11 000 000 ordinary shares of R1 each.
– 15 289 000 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991	6 months ended 31.12.1991
Gold			
Mined (m²)	100 005	112 991	212 996
Ore milled – underground (t)	478 000	[illegible]	947 000
– surface dumps (t)	57 000	49 000	106 000
– total (t)	535 000	518 000	[illegible]
Yield – underground (g/t)	6,3	6,3	6,3
– surface dumps (g/t)	1,2	1,1	1,2
– combined (g/t)	5,7	5,8	5,8
Gold produced (kg)	3 075	3 010	6 085
Working revenue (R/kg)	32 512	33 229	32 867
Working costs (R/kg)	30 475	30 519	30 497
(R/t milled)	175,16	177,34	176,23
Working income (R/kg)	2 037	2 710	2 370
Gold price received (R/kg)	32 451	33 057	32 751
($/oz)	360	359	359
Uranium			
Pulp treated (t)	249 000	518 000	767 000
Oxide produced (kg)	44	61	[illegible]
Yield (kg/t)	0,18	0,12	0,14
FINANCIAL RESULTS (R'000)			
Gold – Working revenue	99 978	[illegible]	[illegible]
– Working costs	92 621	91 862	184 483
– Retrenchment costs	1 080	–	1 080
– Working income	6 285	8 158	14 423
Uranium – Working loss	1 615	3 118	4 733
Sundry income – net	3 315	2 719	[illegible]
Tribute payment – net	2 051	227	2 278
Income before taxation and State's share of income	5 914	7 532	13 446
Taxation and State's share of income	1 684	1 624	[illegible]
Share of income – Beatrix mine	1 143	1 333	2 476
Income after taxation and State's share of income	5 373	7 241	12 614
Capital expenditure	2 134	683	[illegible]
Dividends declared – ordinary shares	9 900	–	[illegible]
– preference shares	6 000	7 000	13 000
DEVELOPMENT – Vaal Reef & "C" Reef			
Advanced (m)	3 773	3 685	7 458
Advanced on reef (m)	345	264	609
Sampled (m)	338	248	586
Channel width (cm)	87	73	81
Average value – gold (g/t)	15,8	19,8	17,9
(cm.g/t)	1 308	1 331	1 344
– uranium (kg/t)	0,456	0,389	0,419
(cm.kg/t)	38,32	28,35	33,25

REMARKS
- Estimated capital expenditure for the next six months – R5,3 million.
- Uranium production ceased during the quarter.
- Interim dividends No. 66 of 90 cents per ordinary share and No. 19 of R6 million in respect of the cumulative preference shares have been declared.
- Hedging profits of R497 000 from the forward sale of 10 927 oz of gold are included in working revenue. Contracts for 37 394 oz are still outstanding at an average price of R1 113 per oz.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

Poor development values

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991	6 months ended 31.12.1991
Mined (m²)	[illegible]	[illegible]	227 988
Ore milled (t)	510 000	510 000	1 020 000
Yield (g/t)	6,0	6,1	[illegible]
Gold produced (kg)	3 060	3 121	6 181
Working revenue (R/kg)	32 705	33 454	[illegible]
Working costs (R/kg)	22 429	22 316	22 372
(R/t milled)	[illegible]	136,57	135,57
Working income (R/kg)	10 276	[illegible]	10 711
Gold price received (R/kg)	[illegible]	33 428	33 047
($/oz)	360	361	361
FINANCIAL RESULTS (R'000)			
Working revenue	100 078	104 409	204 487
Working costs	68 634	69 648	138 282
Working income	31 444	34 761	66 205
Sundry income – net	2 200	2 228	[illegible]
Royalty payments – Beatrix Mines Limited	15 012	15 661	30 673
Income before taxation and State's share of income	18 632	21 328	[illegible]
Taxation and State's share of income	7 101	[illegible]	16 293
Income after taxation and State's share of income	11 531	12 136	23 667
Capital appropriation	2 625	2 084	4 709
Dividends on preference shares	6 000	7 000	13 000
DEVELOPMENT – Beatrix Reef			
Advanced (m)	[illegible]	[illegible]	17 676
Advanced on reef (m)	2 594	2 440	5 034
Sampled (m)	[illegible]	2 733	5 196
Channel width (cm)	50	50	50
Average value – gold (g/t)	12,9	17,0	[illegible]
– (cm.g/t)	647	855	772

REMARKS
- Estimated capital expenditure for the next six months – R8,9 million.
- Development west from No 2 Shaft is traversing an area of known low value to explore the ground around boreholes numbered 1305, 2158 and 2178 with values of 3 555, 1 132 and 1 058 centimetre grams per ton respectively.
- Hedging profits of R495 000 from the forward sale of 10 873 oz of gold are included in working revenue. Contracts for 37 211 oz are still outstanding at an average price of R1 113 per oz.
- The attention of shareholders is drawn to the quarterly report of Beatrix Mines Limited, which appears elsewhere in this edition.

WELTEVREDEN Mines Limited

Company Registration No. 70/14467/06

Development continues

Issued capital – 5 000 000 shares of 1 cent each.

PROJECT PROGRESS
- Sinking of the twin declines advanced to a distance of 1 280 metres from the surface portal.
- Development on the 1st level is continuing.
- Capital expenditure to date amounts to R79,9 million.

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01970/06

Marginal operation

Issued capital – 4 250 000 ordinary shares of R1 each.
– 25 000 deferred shares of R2 each.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991	Year ended 31.12.1991
Mined (m²)	33 318	27 777	[illegible]
Ore milled – underground (t)	105 000	88 000	[illegible]
– surface dumps (t)	[illegible]	[illegible]	483 000
– total (t)	217 000	205 000	[illegible]
Yield – underground (g/t)	4,4	4,8	5,0
– surface dumps (g/t)	0,6	0,5	0,6
– combined (g/t)	2,4	2,2	2,4
Gold produced (kg)	520	445	[illegible]
Working revenue (R/kg)	[illegible]	33 143	32 734
Working costs (R/kg)	33 704	[illegible]	34 242
(R/t milled)	80,76	85,34	83,33
Working loss (R/kg)	1 067	6 093	[illegible]
Gold price received (R/kg)	32 592	[illegible]	32 702
($/oz)	361	355	362
FINANCIAL RESULTS (R'000)			
Working revenue	[illegible]	14 752	[illegible]
Working costs	[illegible]	17 470	70 919
Retrenchment costs	6	25	128
Working loss	[illegible]	2 713	3 117
Sundry income – net	1 188	[illegible]	5 008
Tribute and royalty payments – net	50	–	206
Income/(loss) before taxation	[illegible]	(1 518)	[illegible]
Taxation	–	(73)	4
Income/(loss) after taxation	[illegible]	(1 445)	[illegible]
Capital recoupment	1 378	10	1 430
Dividends declared	1 133	–	[illegible]
DEVELOPMENT			
Advanced (m)	509	808	[illegible]
Advanced on reef (m)	[illegible]	586	2 511
Sampled (m)	285	480	[illegible]
Channel width (cm)	45	50	53
Average value – gold (g/t)	12,4	16,7	20,9
– (cm.g/t)	558	834	1 105

REMARKS
- Estimated capital expenditure for the next six months – Nil.
- Working costs amounting to R4 million incurred during the financial year for the rehabilitation of essential equipment have been charged to a reserve created in prior years for that purpose.
- Final dividend No.117 of 20 cents per ordinary share and No.108 of R11,33 per deferred share have been declared.
- Hedging profits of R83 000 from the forward sale of 1 812 oz of gold are included in working revenue. Contracts for 6 202oz are still outstanding at an average price of R1 113 per oz.

UNISEL Gold Mines Limited

Company Registration No. 72/10804/06

Gold production improving

Issued capital – 28 000 000 shares of no-par value.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991
Mined (m²)	34 447	[illegible]
Ore milled (t)	180 000	[illegible]
Yield (g/t)	6,4	[illegible]
Gold produced (kg)	1 153	1 043
Working revenue (R/kg)	32 680	33 309
Working costs (R/kg)	28 631	27 927
(R/t milled)	[illegible]	178,70
Working income (R/kg)	4 049	5 382
Gold price received (R/kg)	32 660	33 128
($/oz)	360	[illegible]
FINANCIAL RESULTS (R'000)		
Working revenue	37 680	34 741
Working costs	33 012	29 084
Retrenchment costs	–	44
Working income	4 668	5 613
Sundry income – net	184	114
Milling fee and royalty payments	1 504	[illegible]
Income before taxation and State's share of income	3 348	[illegible]
Taxation and State's share of income	222	132
Income after taxation and State's share of income	[illegible]	3 749
Capital expenditure	2 626	1 308

DEVELOPMENT	Quarter ended 31.12.1991 Leader Reef	Basal Reef	Quarter ended 30.9.1991 Leader Reef	Basal Reef
Advanced (m)	52	2 883	13	2 533
Advanced on reef (m)	–	372	12	391
Sampled (m)	69	354	9	401
Channel width (cm)	[illegible]	129	210	99
Average value – gold (g/t)	2,3	5,7	1,0	8,6
– (cm.g/t)	582	735	209	853

REMARKS
- Estimated capital expenditure for the next six months – R7,2 million.
- Production levels are planned to increase throughout 1992. The working costs reflect the preparation for this build-up.
- Included in the previous quarter's capital expenditure was a recoupment of R2,3 million from the sale of a winder motor.
- Hedging profits of R190 000 from the forward sale of 4 159 oz of gold are included in working revenue. Contracts for 14 284 oz are still outstanding at an average price of R1 113 per oz.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Improved development results

Issued capital – 9 625 000 ordinary shares of R1 each.
– 3 825 035 'A' cumulative preference shares of R1 each.
– 3 825 035 'B' cumulative preference shares of R1 each.
– 2 465 000 'C' cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991	Year ended 31.12.1991
Mined (m²)	80 300	73 771	301 885
Ore milled (t)	354 000	351 000	[illegible]
Yield (g/t)	5,8	5,8	6,0
Gold produced (kg)	2 065	2 020	8 753
Working revenue (R/kg)	32 686	33 352	32 227
Working costs (R/kg)	29 321	30 741	30 599
(R/t milled)	171,04	176,91	182,57
Working income (R/kg)	3 365	[illegible]	[illegible]
Gold price received (R/kg)	32 692	33 296	[illegible]
($/oz)	358	363	364
FINANCIAL RESULTS (R'000)			
Working revenue	67 496	67 372	282 080
Working costs	60 547	61 966	262 518
Retrenchment costs	–	130	[illegible]
Working income	6 949	5 276	[illegible]
Sundry income – net	7 410	5 417	23 709
Income before taxation and State's share of income	14 359	10 693	37 957
Taxation and State's share of income	4 570	1 507	[illegible]
Attributable to ordinary shareholders	9 789	9 186	29 154
Capital expenditure	2 618	[illegible]	8 651
Dividend declared – ordinary shares	14 438	–	19 250

DEVELOPMENT	Quarter ended 31.12.1991 Basal Reef	Leader Reef	Quarter ended 30.9.1991 Basal Reef	Leader Reef	Year ended 31.12.1991 Basal Reef	Leader Reef
Advanced (m)	3 013	[illegible]	2 996	[illegible]	[illegible]	903
Advanced on reef (m)	729	163	687	89	2 571	583
Sampled (m)	677	164	719	61	[illegible]	636
Channel width (cm)	122	174	132	148	125	175
Average value – gold (g/t)	8,3	4,1	7,0	2,4	7,2	3,3
– (cm.g/t)	1 018	712	926	349	900	585

REMARKS
- Estimated capital expenditure for the next six months – R3,7 million.
- Treatment of slimes by Free State Consolidated Gold Mines Limited yielded a profit of R3,2 million for the quarter.
- Final dividend No. 73 of 150 cents per share was declared.
- Hedging profits of R332 000 from the forward sale of 7 284 oz of gold are included in working revenue. Contracts for 24 929 oz are still outstanding at an average price of R1 113 per oz.

Oryx mine

(A Division of St. Helena Gold Mines Limited)

Stoping started

OPERATING RESULTS Kalkoenkrans Reef	Quarter ended 31.12.1991	Quarter ended 30.9.1991	Year ended 31.12.1991
Ore milled (t)	79 000	–	79 000
Gold produced (kg)	79	–	82
FINANCIAL RESULTS (R'000)			
Net income before taxation	434	428	[illegible]
Capital expenditure	105 867	96 141	381 210

REMARKS
- The subvertical ventilation shaft has reached its final depth and has been equipped and commissioned during the quarter. The subvertical main shaft has reached a depth of 1 128 metres below collar, and the 22 Level station excavations were completed.
- The first blast of trial stoping on the Kalkoenkrans Reef in the shaft pillar was taken on 28 December 1991.
- The attention of shareholders is drawn to the quarterly report of Oryx Gold Holdings Limited, which appears elsewhere in this edition.

WINKELHAAK Mines Limited

Company Registration No. 55/03606/06

Improved gold output

Issued capital – 12 190 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991
Mined (m²)	110 062	104 744
Ore milled (t)	480 000	475 000
Yield (g/t)	6,0	5,9
Gold produced (kg)	2 860	2 804
Working revenue (R/kg)	32 700	33 681
Working costs (R/kg)	26 700	[illegible]
(R/t milled)	159,09	148,94
Working income (R/kg)	6 000	8 280
Gold price received (R/kg)	[illegible]	33 524
($/oz)	361	362
FINANCIAL RESULTS (R'000)		
Working revenue	93 521	94 439
Working costs	76 362	71 223
Working income	17 159	23 216
Sundry income – net	9 057	4 947
Income before taxation and State's share of income	26 216	28 163
Taxation and State's share of income	4 700	2 524
Income after taxation and State's share of income	21 516	25 639
Capital appropriation	31 637	[illegible]
DEVELOPMENT – Kimberley Reef		
Advanced (m)	4 707	2 747
Advanced on reef (m)	1 057	812
Sampled (m)	890	785
Channel width (cm)	94	78
Average value – gold (g/t)	13,2	16,6
– (cm.g/t)	1 243	1 294

REMARKS
- Estimated capital expenditure for the next six months – R33,7 million.
- Development on No. 6 Main Shaft has commenced on 14 and 15 Levels. The first raise between 7 and 6 Levels has been holed and stoping has commenced. The reef ore pass sliping, cementation and bulkhead construction is nearing completion and will be re-commissioned in early January 1992.
- Hedging profits of R463 000 from the forward sale of 10 164 oz of gold are included in working revenue. Contracts for 34 779 oz are still outstanding at an average price of R1 113 per oz.

BRACKEN Mines Limited

Company Registration No. 59/01126/06

Closure progressing well

Issued capital – 14 000 000 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991
Mined (m²)	16 882	22 584
Ore milled (t)	87 000	74 000
Yield (g/t)	6,1	[illegible]
Gold produced (kg)	411	411
Working revenue (R/kg)	33 219	34 038
Working costs (R/kg)	27 311	29 175
(R/t milled)	167,54	162,04
Working income (R/kg)	[illegible]	4 864
Gold price received (R/kg)	32 596	33 753
($/oz)	361	368
FINANCIAL RESULTS (R'000)		
Working revenue	13 653	13 990
Working costs	11 062	[illegible]
Retrenchment costs	163	602
Working income	2 428	1 999
Sundry income – net	940	1 762
Tribute and royalty payments – net	14	18
Income before taxation and State's share of income	3 354	3 743
Taxation and State's share of income	1 835	2 160
Income after taxation and State's share of income	1 519	1 583
Capital expenditure/(recoupments)	(103)	7
Dividend declared	–	3 100
DEVELOPMENT – Kimberley Reef		
Advanced (m)	28	132
Advanced on reef (m)	21	74
Sampled (m)	21	74
Channel width (cm)	12	27
Average value – gold (g/t)	94,4	83,6
– (cm.g/t)	1 133	2 258

REMARKS
- Estimated capital expenditure for the next six months – R54 000.
- Underground mining planned to cease in August 1992.
- Hedging profits of R66 000 from the forward sale of 1 460 oz of gold are included in working revenue. Contracts for 4 888 oz are still outstanding at an average price of R1 113 per oz.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Profit down

Issued capital – 16 000 000 shares of 65 cents each.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991
Mined (m²)	28 133	30 451
Ore milled (t)	103 500	94 500
Yield (g/t)	5,0	5,4
Gold produced (kg)	518	510
Working revenue (R/kg)	32 916	33 982
Working costs (R/kg)	31 536	30 808
(R/t milled)	157,22	[illegible]
Working income (R/kg)	1 380	3 174
Gold price received (R/kg)	32 587	33 522
($/oz)	361	384
FINANCIAL RESULTS (R'000)		
Working revenue	16 984	17 331
Working costs	16 272	15 712
Working income	712	1 619
Sundry income – net	640	1 449
Income before taxation and State's share of income	1 352	3 068
Taxation and State's share of income	399	396
Income after taxation and State's share of income	953	2 672
Capital expenditure	488	178
Dividend declared	–	2 400
DEVELOPMENT – Kimberley Reef		
Advanced (m)	996	1 083
Advanced on reef (m)	316	409
Sampled (m)	302	393
Channel width (cm)	84	48
Average value – gold (g/t)	12,2	19,65
– (cm.g/t)	1 022	953

REMARKS
- Estimated capital expenditure for the next six months – R1,1 million.
- The Northern Block capital programme is on schedule and will enable some 24 000 tons per month of reef to be mined.
- Hedging profits of R63 000 from the forward sale of 1 330 oz of gold are included in working revenue. Contracts for 6 262 oz are still outstanding at an average price of R1 113 per oz.

KINROSS Mines Limited

Company Registration No. 63/05226/06

Revenue hit by lower gold price

Issued capital – 18 000 000 stock units of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1991	Quarter ended 30.9.1991
Mined (m²)	102 858	109 003
Ore milled (t)	471 000	481 000
Yield (g/t)	6,4	6,3
Gold produced (kg)	3 002	3 006
Working revenue (R/kg)	32 626	33 792
Working costs (R/kg)	24 082	23 403
(R/t milled)	153,49	146,26
Working income (R/kg)	8 544	[illegible]
Gold price received (R/kg)	32 565	33 663
($/oz)	360	368
FINANCIAL RESULTS (R'000)		
Working revenue	97 943	101 578
Working costs	72 294	70 350
Working income	25 649	[illegible]
Sundry income – net	4 225	5 202
Tribute and royalty payments – net	624	1 927
Income before taxation and State's share of income	[illegible]	34 503
Taxation and State's share of income	9 410	13 208
Income after taxation and State's share of income	[illegible]	21 295
Capital expenditure	8 863	[illegible]
Dividend declared	–	21 600
DEVELOPMENT – Kimberley Reef		
Advanced (m)	4 847	4 331
Advanced on reef (m)	1 350	1 038
Sampled (m)	[illegible]	1 070
Channel width (cm)	37,4	38,9
Average value – gold (g/t)	17,4	15,0
– (cm.g/t)	650	584

REMARKS
- Estimated capital expenditure for the next six months – R17,5 million.
- Hedging profits of R486 000 from the forward sale of 10 968 oz of gold are included in working revenue. Contracts for 38 508 oz are still outstanding at an average price of R1 113 per oz.

NOTES

1. On 15 January 1992 dividends were declared by certain of the abovementioned companies, payable to members registered at the close of business on 31 January 1992.

   The registers of members of the companies will be closed from 3 February 1992 to 14 February 1992, both days inclusive.

   The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 28 February 1992, or the first day thereafter on which a rate of exchange is available.

   Dividend warrants will be posted on 13 March 1992.

   In the case of non-resident shareholders, taxation of 15 percent will be deducted.

   The full conditions of payment may be inspected at or obtained from the registered office.

2. Development values represent actual results of sampling. No allowance has been made for any adjustments which may be necessary when estimating ore reserves.

3. All financial figures are unaudited.

By order of the respective boards
General Mining, Metals and Minerals Limited

Secretaries
per: D J D Ross
Manager Administration and Secretarial Services

Johannesburg, 16 January 1992

Transfer offices
South Africa:
Central Registrars Limited
154 Market Street, Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

United Kingdom:
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Registered and head office
General Mining Building
6 Hollard Street
Johannesburg 2001
(PO Box 61820, Marshalltown 2107)

London office
Gencor (UK) Limited
30 Ely Place
London EC1N 6UA

Copies are available from London office.

GENMIN GROUP

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume and retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unem-ployed	Vacs.
1990 – 1991 (quarters and months to November)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, clothing and footwear (1985=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1990 – 1991 (quarters and months to November)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade*	Reserves US$bn
1990 – 1991 (quarters and months to December)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change);bank sterling lending to private sector; building societies' net inflow; consumer credit†; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmr. credit† £m	Base rate %
1990 – 1991 (quarters and months to November)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION-Indices of earnings (1985=100); basic materials and fuels, wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931=100); trade weighted value of sterling (1985=100).

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1990 – 1991 (quarters and months to December)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

INTERNATIONAL CAPITAL MARKETS

Overseas interest drives up prices across Europe

By Sara Webb in London and Patrick Harverson in New York

EUROPEAN government bond markets yesterday showed strong gains, helped by overseas buying interest, particularly in the five-year sector.

Traders reported outright buying in Germany, France, Spain, Denmark and Sweden, with investors anticipating interest rates cuts in these bond markets.

Activity in the German government bond market was fairly volatile, but the Liffe bund futures contract closed higher on the day, having reached a significant resistance level. The Liffe contract opened at 88.30, and moved between a low of 88.17 and a high of 88.47 before closing at 88.38.

Traders said bund prices rose on news that the Bundesbank injected DM7.3bn of liquidity into its money market operations yesterday. At its allocation of 35-day and 63-day

GOVERNMENT BONDS

securities repurchase agreements, the Bundesbank allocated more liquidity than had been expected. Traders said this could be taken as a sign that the Bundesbank wants to ease short-term rates.

The French market also showed strong gains, with the Matif futures contract reaching a high of 109.12 on heavy volumes. The contract traded between a low of 108.88 and closed at 109.08.

■ US TREASURY prices were mixed in active trading yesterday morning. The short end was weaker amid dwindling hopes of further interest rate cuts, while the long bond firmed on comments that the Treasury may reduce its issues of longer-dated securities.

By midday, the benchmark 30-year government bond was up ⅛ at 105⅝, yielding 7.525 per cent. The two-year note at the same stage was down 1/32 at 100, yielding 4.982 per cent.

After four days of consecutive declines, the long end of the market was aided by comments from Mr Wayne Angell, one of the Federal Reserve governors, who said in a television interview he would not be against trimming the size of 30-year bond issues if it was economically necessary.

There has been speculation recently that the Treasury might cut its long bond issues to force down long-term interest rates and flatten a yield curve that has remained unhelpfully steep.

Lower long-term rates would bring down mortgage rates and help stimulate economic activity. Mr Angell's comments represented the first semi-official word from the Fed, and indicated that the idea of curtailing long bond issues is being considered.

■ UK GOVERNMENT bond prices gained up to half a point. They were helped by sterling stability in the foreign exchange market and the strong lead from other European bond markets.

The benchmark 11¾ per cent gilt due 2003/07 rose from 115⅛ to 115⅝, to yield 9.44 per cent by late afternoon. In the futures market, the Liffe gilt contract rose from 97.04 to reach a high of 97.15 before falling back to 97.11 on a volume of over 35,000 contracts.

Traders said market sentiment was also helped by an opinion poll released yesterday which showed the Conservative party one point ahead of the opposition Labour party.

■ THE strengthening of the dollar against the yen pushed Japanese government bond prices lower in London trading.

The yield on the benchmark No 129 JGB moved from its opening of 5.365 per cent to 5.4 per cent as the yen weakened from 126.50 to the dollar to 128.70. The Tokyo market was closed for a public holiday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.6109	+0.546	9.88	9.42	9.67
BELGIUM		9.000	08/01	102.1000	+0.250	8.65	8.73	9.04
CANADA *		8.500	04/02	102.5000	+0.200	8.13	7.86	8.48
DENMARK		9.000	11/00	103.0750	+0.300	8.48	8.59	8.84
FRANCE	BTAN	8.500	11/96	99.2927	+0.303	8.67	8.80	9.04
	OAT	9.500	01/01	106.7700	+0.360	8.39	8.53	8.76
GERMANY		8.25	09/01	102.2700	+0.150	7.90	8.01	8.20
ITALY		12.000	09/01	96.5300	+0.330	12.26	12.44	12.53
JAPAN	No 119	4.800	06/99	95.7511	-0.150	5.61	5.58	5.93
	No 129	6.400	03/00	105.7642	-0.242	5.39	5.32	5.62
NETHERLANDS		8.500	03/01	100.8100	+0.160	8.37	8.46	8.69
SPAIN		11.900	07/96	101.4500	-	11.40	11.61	11.72
UK GILTS		10.000	11/96	101-02	+0.125	9.71	9.76	9.88
		10.000	02/01	102-19	+0.344	9.56	9.64	9.57
		9.000	10/08	97-30	+0.438	9.24	9.26	9.35
US TREASURY *		7.500	11/01	103-14	+2/32	7.01	6.75	7.22
		8.000	11/21	105-17	+3/32	7.53	7.39	7.77

London closing, *denotes New York morning session. Yields: Local market standard
Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

Plans for Spanish rating agency

STANDARD and Poor's, the US rating agency, and several Spanish organisations plan to establish an agency in Madrid to evaluate the full range of debt issues in the domestic Spanish capital market, Reuter reports from London.

The group also includes the Madrid, Bilbao and Valencia stock exchanges, Instituto de Credito Oficial (ICO) and Compania Española de Seguros de Credito a la Exportacion (Cesce).

S&P hopes to launch the rating agency in the summer or early autumn. It said it was unable to provide details about the capitalisation of the new agency or the breakdown of shareholdings.

The new agency will assess the bonds and commercial paper programmes of corporations, financial institutions, utilities and local government authorities, as well as structured financings.

Mr Antonio Zoida Martinez, vice-president of the Madrid Stock Exchange, said: "The introduction of ratings in Spain is a necessity which has been recognised for some time, both by issuers and investors, to clarify risk levels for debt securities."

The partners have signed a letter of intent, but the transaction is subject to a definitive shareholder's agreement.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on January 15

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	107⅛	+⅛	6.20
ALBERTA PROVINCE 9 3/8 95	600	109⅝	110		6.41
AUSTRIA 8 1/2 00	400	106¼	106⅞	-⅛	7.40
BANK OF TOKYO 8 3/8 96	100	104⅝	105⅛	-⅛	6.99
BELGIUM 9 5/8 98	250	111⅛	111⅞	-⅛	7.32
BFCE 7 3/4 97	150	103⅝	103⅞	-⅛	6.94
BNP 8 5/8 94	300	106¼	106⅞		5.78
(remaining U.S. dollar straights)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS BIT 7 94 LFr	600	94	95		9.76
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98½	+⅛	9.25
WORLD BANK 8 96 LFr	1000	96⅛	97⅛	-⅛	9.11
ABN AMRO HOLDING 9 1/4 02 Fl	750	104½	104⅞	+⅛	8.59
UNILEVER 9 00 Fl	500	105	105½	+¼	8.14
ALBERTA PROVINCE 10 5/8 96 C$	500	107	107⅛	-⅛	8.51
BELL CANADA 10 5/8 99 C$	150	107⅛	108	-⅛	9.18
(remaining other straights)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Investment firm hires Continental Bank team

By Simon London

BERKELEY Govett, the US fund manager best known for investment trusts under the John Govett name, has poached a team of institutional fund-raising specialists from Continental Bank.

Berkeley Govett has $4bn equivalent under management and is quoted in London with a market capitalisation of around £100m. Its latest recruits comprise the private equity group formerly with Continental Bank in London. The team includes Mr John Hess, Mr John Lowing and Mr Ian Simpson.

The team raises capital from European institutional investors for specialist funds. This can be for outside fund managers, such as work on Fidelity's quoted Latin American Capital Fund.

The team also develops independent projects, such as the syndicate of investors gathered to back property development in Berlin.

It will now be developing funds under the Berkeley and Govett names and will continue to raise capital for outside fund managers.

The departure from Continental means further shrinkage of the London operation of the US bank. Like many other US financial institutions faced with difficult market conditions at home, Continental has been aggressively "downsizing" international operations.

Offices in Hong Kong, Singapore, Taipei, Paris, Frankfurt and Brussels have closed. While London will remain Continental's primary European base, the number employed has fallen from 400 to a target level of "below 200".

Savings institution to apply for bank status

By Kevin Brown in Sydney

THE St George Building Society, Australia's largest non-bank savings and loan institution, yesterday said it planned to apply for a banking licence and a full listing on the Australian Stock Exchange (ASX).

St George, with assets of about A$9bn, (US$6.6bn) will become Australia's sixth largest bank if the application for a licence is approved by the Reserve Bank of Australia (RBA) and the society's members.

A banking licence would give St George improved access to the inter-bank payments system, and lower its cost of funds by bringing it under the direct supervision of the RBA.

"We have been operating like a bank and competing against the major banks for many years. We believe that our members and shareholders are now entitled to the benefits that banks have," said Mr Jim Sweeney, managing director.

He said he had spoken to the RBA, and expected St George to begin banking operations on July 1. "I have every indication that I should be confident," he said.

St George said it would continue to concentrate on its residential loans business, which has helped protect it from the bad debts incurred by many Australian banks through corporate lending activities.

The society is based in Sydney, but recently expanded into Victoria through the acquisition of the Victorian Savings and Loan Society, based in Ballarat. Further expansion into Queensland is likely if the society is awarded a banking licence.

St George's application for a full listing on the ASX follows the exchange's decision to exempt building societies from regulations requiring shareholders' voting power to be proportionate to the number of shares held.

The change of rules will allow building societies and other mutually owned financial institutions to maintain provisions in their articles of association providing for one vote for each member.

St George shares were trading at A$7 on the unlisted market before the announcement, capitalising the society at A$690m. St George reported interim net profits of A$20.3m for the six months to the end of November, up 3.6 per cent on the comparable period of the previous year.

St George was one of several building societies to show interest in applying for a banking licence after the successful transformation of the New South Wales Permanent into the Advance Bank of Australia in 1985.

Bank of Melbourne, Perth's Challenge Bank, and Metway Bank in Brisbane also once traded as building societies.

INTERNATIONAL CAPITAL MARKETS

Further supply of dollar paper saturates market

By Tracy Corrigan

AS a further supply of paper continued to emerge yesterday, despite increasingly confused views on the direction of the Treasury market, the dollar sector of the Eurobond market began to look saturated.

The US Treasury bond market appeared to find support at a yield level just above 7¾ per cent on the long bond, suggesting that the market may have undergone a correction which is now complete.

However, a rally in Treasuries at this stage, with spreads at such tight levels, would be likely to force spreads to widen. "Even if the Treasury market steadies, spreads are likely to widen, because of the heavy supply of paper," one head of syndicate said.

Not only has the excess appetite for dollar securities at the start of the year been filled, but many bond desks are now holding substantial amounts of recently-issued paper which has not yet been placed. In addition, the quality of new issues has begun to falter.

INTERNATIONAL BONDS

For most of the six further new issues totalling $1.3bn in the market yesterday, demand was decidedly slack. Spreads in some of the more tightly-priced issues showed signs of widening: the spread on Credit Local's 10-year deal shifted to 33 basis points from 28 basis points at launch, while Denmark's five-year deal has widened from 20 to 25 basis points over the curve.

Of yesterday's new issues, corporate and financial names generally met weaker demand. Dealers said there was little incentive to buy a $200m issue of four-year bonds for ABB International, the Swiss-Swedish engineering group, priced to yield 50 basis points over the interpolated yield curve.

Lead-manager Morgan Stanley International reported strong demand in Switzerland, but most traders said the issue was too aggressively priced.

Kommunekredit, a Danish financial institution which tapped the market for the first time yesterday, also proved hard to place. The deal was considered aggressively-priced for a virtually unknown name.

A $300m issue of 15-year bonds for KFW International, the German financial institution, is expected to fare rather better because of the strong credit of the government-owned borrower.

Elsewhere, a matador issue for Bancomext, a Mexican bank guaranteed by the Mexican government, met strong demand, and was quoted at its par issue price. The deal is the first matador deal for a Mexican borrower other than the government.

Meanwhile, the European Investment Bank continued its heavy schedule of issuance with two more deals, in the wake of its two offerings on Tuesday. The EIB launched a L500bn issue of 10-year bonds and a Skr1bn offering of seven-year bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
KFW Int.Finance Inc.(a)†	300	7½	98.91	2007	40/25bp	Deutsche Bk Cap.Mkts.
Petrobas(a)†	250	10	100.52	1993	1/½	CSFB
ABB Int.Finance(a)†	200	6⅜	101	1996	1⅝	Morgan Stanley Int.
Helaba Int.Finance(a)†	200	6⅞	101.428	1996	1⅝/1.425	Nomura Int.
Finnish Export Credit(a)†	200	5¾	100.806	1995	1⅛/1⅛	Lehman Bros.
Kommunekredit(a)†	150	7¼	101.425	1999	1⅞/1⅝	Nomura Int.
CANADIAN DOLLARS						
Mobil New Zealand Fin.(a)†	75	8¼	101.425	1997	1⅞/1¼	Lehman Bros.Int.
SWEDISH KRONOR						
European Investment Bk(a)†	1bn	10	101½	1999	1⅝/1⅛	Skandinaviska Ensk.Bken.
PESETAS						
Bancomext(b)†	10bn	13	100	1997	1¾/1⅝	Soc.Santander d'Negocios
LIRE						
European Investment Bk(a)†	500bn	10½	101⅞	2002	1⅞/1¼	Monte dei Paschi d'Siena
D-MARKS						
Union Industrielle d'Credit(a)†	150	8¼	101¾	1999	2¼/1½	NordLB

**Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Matador issue. Non-callable.

Lee elected chairman of HK Stock Exchange

By Simon Holberton in Hong Kong

HONG KONG'S broking community yesterday signaled its desire for a calmer life when it unanimously elected Mr Charles Lee Yeh Kwong chairman of the Hong Kong Stock Exchange.

Mr Lee, 55, is an independent member of the stock exchange's council, and takes the helm after a tempestuous year which witnessed confrontation with the Securities and Futures Commission, the colony's financial watchdog.

After a long battle, the SFC forced the exchange to change from a club run for the benefit of small Chinese brokers to one that represented a broader range of broking interests and the public.

One council member said after the meeting that it was reassuring that Mr Lee was elected unanimously. He had shown that he could garner support from both the independent members of the council and, importantly, from the local Chinese brokers.

After his election last night Mr Lee struck a conciliatory note. He said the business of the exchange was to protect the interests of the investing public, and he aimed to work closely with the SFC and others in the tasks that lay ahead.

Mr Lee said the council looked forward to the development of Hong Kong markets in 1992 with the planned introduction of financial products such as traded options, short selling and other hedging instruments.

"Underlying and vital to these new developments would be the provision of a modern infrastructure such as a centralised electronic clearing system, including an automatic trade matching and execution system," he said.

Mr Lee, is a lawyer and has been the convener of the exchange's listing committee since October 1990 and a member of the exchange's council since October 1987. He is a director of more than 20 listed companies. Mr Kwan Cheong Yin and Mr Alex Wu Shu Chih were elected first vice-chairman and second vice-chairman respectively.

Commodities business faces threat

By Richard Waters

A LEGAL wrangle between the London Clearing House and several banks is threatening to disrupt the financing of commodities business in London.

As a result, talks have been held between the clearing house, banks and exchanges over whether changes to the settlement arrangements are necessary to encourage some banks to continue to provide finance to the markets.

The dispute arises out of the collapse a year ago of Woodhouse Drake & Carey (WDC), a medium-sized London commodities trader. Some banks which financed WDC's trades are in dispute with the clearing house to recover assets over which they claim to have security.

Separately, the clearing house is in dispute with customers of Woodhouse Drake & Carey (Commodities), WDC's futures broking subsidiary, who are also trying to recover assets which were held up in the clearing system.

Mr David Hardy, LCH managing director, said the dispute arose out of a "failure of some banks to understand how delivery of commodities takes place in London". Once commodities pass into the clearing system, any security interest of a bank over them lapses, he said.

However, some banks which lent money to finance WDC trades, taking in return security over the commodities concerned, are attempting to enforce their security interest. While the dispute continues, the banks involved are reported to be concerned about advancing more money to commodities businesses.

Mr Hardy said talks had been held to explore ways of meeting the banks' concerns over the way the settlement system operates. "Maybe you could find a way to recognise their interest," he said.

Meanwhile, the clearing house is being challenged over its decision to use assets belonging to Woodhouse clients to offset liabilities of the failed group, rather than bank guarantees which had been given for the purpose.

Mr Harsh Kumar, whose company, Afexp Commodities, stands to lose about £300,000 as a result, said that the clearing house's actions meant that clients of London commodity brokers could no longer rely on recovering their assets once in the clearing system.

The clearing house is proposing to meet Woodhouse debts by applying some of the £1.2m of Woodhouse clients' money which it holds.

The decision to use client money comes in spite of the fact that the clearing house holds £3m, representing guarantees pledged by banks to cover Woodhouse's trades. Under the LCH proposal, this money would be returned to the banks, even though the guarantees were specifically given to meet any liabilities of Woodhouse to the clearing system in the event of failure.

Fears for future of long bond trade

Barbara Durr finds the CBOT uneasy about possible Treasury moves

The idea floated by Washington to curtail issuance of 30-year Treasury bonds has drawn heavy fire from the Chicago Board of Trade (CBOT), the world's largest futures exchange.

Futures and options based on the US long bond accounted for about two-thirds of the exchange's 1991 trading volume. The CBOT believes a halt of 30-year bonds by the US Treasury would "cripple" it.

Exchange officials and some bond market experts say that with fewer Treasury bonds, or without them altogether, investors could move into other derivative instruments to hedge interest rate exposure. Treasury bonds are currently the world's most actively traded security, and they are considered the benchmark against which all other dollar-denominated long-term instruments are measured.

While some believe that the CBOT's trading, generated by investors speculating on interest rates or using the futures market to hedge, will switch – in the event of a halt in long bond issuance – into its futures and options in the lower maturities of two-year, five-year and 10-year Treasury notes. Mr Thomas Donovan, the exchange president, said: "I don't think a lot of it will shift." He feels investors with long-term exposure will seek a long-term hedge.

An announcement about the possible curbing of sales of the long bond is expected before the quarterly refunding of US government debt on February 5.

The idea of cutting back on long bonds surfaced last month when Mr Nicholas Brady, the Treasury secretary, told a congressional hearing that his department was "taking a look at the question of whether the Treasury should stop issuing long-term bonds."

Some academic and business economists, including Mr Martin Feldstein and Mr Henry Kaufman, say that switching government funding to shorter maturities could save the US government as much as $1bn or more a year in interest payments and help stimulate the stagnant US economy.

By decreasing the supply of long bonds, supporters say, their price would rise and their yield fall. Currently, the yield curve from short to long maturities is very steep, with a top-to-bottom difference of more than 3 percentage points: with the yield on the long bond currently at about 7.5 per cent. If long bond yields declined, proponents argue, mortgage rates, which are calculated by long-term yields, could also fall, freeing up more consumer spending.

Those opposed, such as Mr Robert Giordano, chief of economic research at Goldman Sachs, say that eliminating long bonds would be a mistake. He says the effect on long-term yields is likely to be minimal and, consequently, the savings for the US government would be trivial in the larger scheme of high federal deficits and government debt worth $3,000bn.

Moreover, Mr Giordano and other opponents argue that the government would subject itself to the vicissitudes of short-term interest rates and possibly end up squeezing businesses out of the shorter-term market, where they typically finance themselves.

Eliminating long bonds altogether looks a less likely option than curbing their issuance. Some $50bn had been expected to be issued during the next 12 months.

Mr William Griggs of Griggs & Santow, a New York investment advisory firm, said: "The feeling in the street is that they will cut back by $2bn to $3bn [on long bonds in February refunding]."

Given that most of the CBOT's futures and options trading is built on new or current issues, even a curtailment worries the exchange. Hedging and arbitrage activity is heaviest in the futures market at the time of, and immediately following, issuance, though portfolio turnover provides some trading volume after that time.

The exchange, which has significant political clout, has been lobbying against the move. Not only did it fire off a letter of protest to Mr Brady, but it complained to Mr Dan Rostenkowski, the powerful chairman of the House ways and means committee.

Such concern is uncalled for, however, according to Mr Richard Sandor, managing director of Kidder, Peabody. As the former chief economist for the CBOT, he designed its Treasury bond futures contract. He said: "A diminution of supply will not necessarily dampen activity in the futures market."

He noted that as trading activity is driven into the two-, five- and 10-year Treasury notes – and more of them will have to be issued to make up for a decrease in 30-year bonds – volume at the exchange could actually pick up.

The CBOT already has experienced significant growth in its trading of futures and options based on lower maturity Treasury securities over the last year. For example, trading in five-year Treasury note futures and options contracts grew 34 per cent and 48 per cent respectively over 1990.

Nonetheless, exchange officials are concerned.

Gilts head leaves Salomon Brothers

MR SIMON THORP, the head of gilt-edged securities trading at Salomon Brothers International in London, left the company yesterday, writes Sarah Webb.

The company said Mr Thorp has been replaced by Mr Andrew Duthie and Mr Robie Yaniacke. They will act as joint heads of the gilts trading desk. No reason was given for Mr Thorp's departure.

Salomon Brothers, a market-maker in gilt-edged securities, made a pre-tax profit of £8.38m in 1990 on gilt operations with a capital base of £59m at the end of that year.

Salomon Brothers has been hit by a wave of staff departures – both enforced and voluntary – in recent weeks. Most of these, however, have been on the equity side. However, on the fixed income side, Mr Simon Meadows, the firm's head of bond syndication, resigned last week to join Credit Suisse First Boston as co-head of debt syndication.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jan 15 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Jan 14 Index No.	Mon Jan 13 Index No.	Fri Jan 10 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (178)	762.22	+0.9	8.95	6.31	14.29	0.19	755.22	744.72	739.74	675.31
2 Building Materials (23)	897.96	+1.0	7.75	6.93	17.47	0.00	889.50	878.94	872.32	911.64
3 Contracting, Construction (29)	836.43	+0.3	9.60	8.86	15.00	0.00	833.62	831.34	827.89	1051.90
4 Electricals (7)	2433.47	+1.1	10.20	6.16	12.32	0.00	2406.37	2397.82	2401.82	1862.11
5 Electronics (26)	1683.74	-0.5	10.96	5.10	11.56	0.41	1692.96	1665.93	1659.25	1478.08
6 Engineering-Aerospace (8)	346.41	+1.0	15.59	7.50	7.81	0.00	342.93	336.84	331.17	380.48
7 Engineering-General (43)	475.19	+1.2	10.08	5.24	12.24	0.84	469.71	464.69	464.64	347.38
8 Metals and Metal Forming (10)	310.76	+1.3	2.25	11.18	-	0.00	306.75	302.26	295.34	381.44
9 Motors (13)	287.21	+2.4	8.97	8.30	14.81	0.00	280.38	280.07	277.78	266.43
10 Other Industrial Materials (19)	1585.68	+1.3	7.59	5.17	15.67	0.00	1565.96	1539.08	1524.43	1147.76
21 CONSUMER GROUP (188)	1646.08	+0.4	7.08	3.36	17.38	1.53	1639.28	1627.05	1615.35	1188.45
22 Brewers and Distillers (23)	2047.90	-0.1	8.13	3.46	14.92	7.92	2050.66	2029.10	2028.09	1527.86
25 Food Manufacturing (18)	1246.37	+0.7	8.65	4.07	14.28	1.03	1237.64	1233.53	1226.41	1013.60
26 Food Retailing (17)	2415.21	+2.4	9.15	3.43	14.20	0.39	2359.11	2330.86	2293.80	2263.08
27 Health and Household (24)	4649.21	-0.1	4.89	2.10	23.46	0.35	4654.94	4651.04	4603.29	2454.93
29 Hotels and Leisure (24)	1236.63	-0.6	8.07	5.45	15.31	0.00	1244.08	1242.29	1231.20	1116.68
30 Media (23)	1458.03	+1.3	6.63	3.68	18.88	0.91	1439.42	1426.53	1419.78	1166.91
31 Packaging, Paper & Printing (17)	765.66	+0.5	6.92	4.34	17.52	0.00	761.76	745.87	746.06	486.96
34 Stores (32)	988.71	+0.9	7.43	3.76	17.84	0.23	980.08	962.17	954.27	786.02
35 Textiles (10)	595.23	-0.6	7.77	5.22	16.43	0.00	598.88	601.14	602.02	400.98
40 OTHER GROUPS (115)	1203.79	+1.6	10.07	5.53	12.52	5.01	1184.33	1174.30	1181.06	961.05
41 Business Services (16)	1438.50	+2.1	6.98	4.56	18.22	0.00	1408.48	1406.12	1386.62	971.28
42 Chemicals (21)	1416.26	+1.3	7.13	5.17	17.34	0.19	1398.41	1394.19	1392.40	1004.01
43 Conglomerates (11)	1324.00	+1.7	11.37	7.83	10.68	0.10	1302.23	1276.15	1275.07	1217.37
44 Transport (14)	2392.77	+0.8	5.36	4.72	24.55	0.00	2374.28	2335.06	2322.34	1772.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

[illegible]						
[illegible]						

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	74	0	7
Other Fixed Interest	8	1	9
Commercial, Industrial	477	147	868
Financial & Property	313	48	431
Oil & Gas	32	12	47
Plantations	0	0	10
Mines	67	9	76
Others	93	2	46
Totals	1,064	219	1,494

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	63½	49	BTR Warrants 1993/96	63	+3	-	-	-	-
-	F.P.	-	120	105	Baillie Gifford Jap Wrts	118	+3	-	-	-	-
-	F.P.	-	425	405	Bristol Water Non-Vtg £1	425		-	-	-	-
*339	110	-	126½	112¼	British Telecom New	116xd	+3	13.3	2.6	5.2	9.9
140	F.P.	-	150	140	Burn Stewart Dist	150	+5	65.0	2.3	4.4	11.6
-	F.P.	-	2½	2	Butte Mining Wrnts.	2		-	-	-	-
†	F.P.	-	75	63	Capital Industries 1p	64		-	-	-	-
-	F.P.	-	273	218	Eurotunnel '91 Wrnts.	273	+5	-	-	-	-
[illegible]											

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ■ Unit comprising of 5 Ords and 1 Warrant.

FIXED INTEREST STOCKS

[illegible]						
[illegible]						

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or -
[illegible]							
43	Nil	17/2	5pm	3pm	Anglo Irish Bank	3pm	
235	Nil	27/1	31pm	11pm	Hartstone	28pm	+6
415p	Nil	28/2	122pm	100pm	Northern Foods	122pm	+10
77½	Nil	20/1	1½pm	¼pm	River & Merc. Cap.	¼pm	
105½	Nil	20/1	1½pm	¼pm	Do. Inc.	¼pm	
113½	Nil	20/1	4½pm	3pm	Do. Stpd. Pf	3¼pm	
17½	Nil	20/1	1½pm	¼pm	Do. Warrants	¼pm	
125	Nil	10/2	¼pm	¼pm	Tottenham Hotspur	¼pm	

TRADITIONAL OPTIONS

- First Dealings Jan. 6
- Last Dealings Jan. 17
- Last Declarations Apr. 2
- For settlement Apr. 13

3-month call rate indications are shown on this page.

Calls in Amstrad, ASDA, De La Rue, Kunick, Medeva, Pilkington, Pelon, Scottish Heritable Trust and Tarmac. Puts in Barratt Devs., BET, Tarmac and Taylor Woodrow. Puts and calls in Abbeycrest, Appleyard, Albert Fisher and Greycoat.

LONDON TRADED OPTIONS

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
[illegible]							
Hillsdown (*157)	140	20½	25½	37½	3	6½	8½
	160	7½	11½	15	9	14	16
Lonrho (*144)	140	12½	19½	22½	15½	17½	23
	160	6½	11½	15	30	34½	37½
Brit Aero (*328)	300	32½	37½	39½	3½	17½	19½
	330	13½	21	26½	12½	32½	34½
BAA (*565)	500	67½	84	88	½	6	9½
	550	25	48	55½	10	18½	22

January 15 Total Contracts NA
Calls NA Puts NA
FT-SE Index Calls NA Puts NA
Euro FT-SE Calls NA Puts NA
Eurotrack 100 Index Calls NA Puts NA
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p								
INDUSTRIALS		Charter Cons.	42	Ladbroke	19	Sears	8½	**OILS**	
Allied-Lyons	50	Comm Union	34	Legal & Gen	30	SmKl Bchm A	70	Aviva Pet	1½
Amstrad	4	Courtaulds	40	Lex Service	16	TI	41	BP	30
Astec (BSR)	6	Eurotunnel	40	Lloyds Bank	24	TSB	9	Burmah Castrol	38
BAT Inds	48	FKI	5	Lonrho	18	Tesco	15½	Conroy Pet	4
BOC	49	FNFC	5	Lucas Inds	11	Thorn EMI	59½	Gaelic Res	½
BTR	39	Forte	20	Marks Spencer	22	T & N	10½	Premier Cons	4
Barclays	24	GKN	24	Midland Bank	17	Unilever	78	Shell	41
Blue Circle	18	Gen Accident	37	NatWest Bank	21	Vickers	13½	Tuskar Res	1½
Boots	33	GEC	15	P & O Dfd	35	Wellcome	80	**MINES**	
Bowater	54	Glaxo	64	Racal Elect	4½	**PROPERTY**		RTZ	38
Brit Aerospace	18	Grand Met	70	RHM	20	Brit Land	20½		
British Steel	5	GRE	11	Rank Org	47	Land Sec.	36		
Brit Telecom	25	Hanson	15	Ratners	6	MEPC	33		
Cadburys	34	ICI	69	Reed Intl	42	Mountleigh	3		

UK COMPANY NEWS

First Leisure rises to £30.4m

By Michael Skapinker, Leisure Industries Correspondent

FIRST LEISURE, the discotheque, ten-pin bowling and tourist attractions group chaired by Lord Delfont, yesterday announced a 4 per cent improvement in pre-tax profits to £30.4m after what it described as the most difficult year since the company was set up in 1983.

Lord Delfont said he expected tough trading conditions to continue throughout most of this year. He said the first half of the current year would be particularly difficult and would coincide with the planned closure of Blackpool Tower and several discotheques for redevelopment.

Mr John Conlan, chief executive, said the group was looking into the possibility of acquiring some of the assets of Themes International, owner of Windsor Safari Park, which went into administrative receivership earlier this month.

Mr Conlan said the company was interested in Themes International's bowling alleys and would also look at the safari park. He added, however, that discussions were at an early stage.

First Leisure's profits for the year to October 31 1991 were boosted by a strong performance from snooker and the ten-pin bowling business.

The strong performance of First Leisure's snooker activities is in part due to the rise in unemployment and the increase in the number of people looking for activities to fill their day.

First Leisure

Share price relative to FT-A All-Share Index

Sources: Datastream

The sports division, which includes bowling, snooker and the Chichester Marina, saw profits rise 31 per cent to £12.8m on turnover of £26m (£21.8m).

Profits from discotheques were flat at £13.7m (£13.5m) on turnover slightly up at £41.6m (£38.5m). Mr Conlan said this sector was the first of the company's businesses to feel the effects of the recession, as competitors discounted prices heavily to increase market share.

The group is in the process of redesigning its discotheques to give them a more futuristic, high-tech look. Mr Conlan said the last redesign of the discotheques, in the mid-1980s, had attempted to give them a similar look to the lounge of a luxury hotel.

Profits at the group's tourist facilities, which include all three Blackpool piers and the Winter Gardens conference centre, fell to £12.3m (£14.1m) on a small advance in turnover to £38.9m (£38.7m). Mr Conlan said visitor numbers were down, and those tourists who did visit the attractions were spending less.

Depressed conditions in London's West End, where the company has a stake in the Prince of Wales and Prince Edward venues, saw profits from theatres fall to £728,000 (£1.1m) on turnover of £2.2m (£3.2m). The company announced last November that Mr Cameron Mackintosh, the theatrical producer, had agreed to increase his 20 per cent interest in the Prince of Wales and the Prince Edward to 50 per cent.

Group turnover increased by 6 per cent to £108.7m (£102.3m). Earnings per share rose from 15.62p to 15.67p and a final dividend of 3.95p (3.5p) is proposed, making a total of 5.695p, a 13 per cent improvement on last year's distribution of 5.05p.

See Lex

Ashley Ashwood

John Conlan (left) and Nicholas Irens, finance director

Worldwide revamp of commercial side of Rover

By John Griffiths

ROVER GROUP, the vehicles subsidiary of British Aerospace, is restructuring its commercial activities worldwide with the principal aim of sharply increasing sales outside the UK.

Mr George Simpson, Rover's chairman, has set a long-term goal for the company to export 60 per cent of its annual output of about 500,000 cars and 4-wheel-drive vehicles. This compares with a record 45 per cent last year – when just under 200,000 vehicles were exported – and only about 25 per cent in the period before privatisation.

The revamp announced yesterday includes the creation of Rover Europe, under which the UK and continental Europe will be treated as a single market for the first time.

The creation of a total of three new groupings – Rover Europe, Rover International and Rover Marketing – is also intended to strengthen Rover's efforts to be perceived as an upmarket producer.

As well as combining UK and continental sales activities, as part of preparations for the single EC market post-1992, Rover Europe will also merge previously separate sales and marketing operations for Rover cars and Land Rover/Range Rover 4wd vehicles.

It will be headed, as managing director, by Mr Graham Morris, formerly president of Rover's Sterling Motor Cars subsidiary in North America until collapsing sales forced Rover's withdrawal from the US car market last year.

Its 4wd subsidiary in the US, Range Rover of North America, is still fully operative, however, and will be grouped with Rover's other subsidiaries outside Europe within Rover International.

Its managing director, Mr Chris Woodwark – formerly managing director of Land Rover – will also take responsibility for developing new business elsewhere, including Eastern Europe.

Among projects already underway for the region are possible production of the Maestro in Bulgaria and the setting up of a Russian distribution network for Rover vehicles through Orbicom, a UK-headquartered east-west trade group. Longer term, Montego production could also be moved to Russia.

The third new division, Rover Marketing, is to be under the managing directorship of Mr Kevin Morley, hitherto managing director of Rover Cars.

Mr Morley, whose responsibilities have been primarily for Rover's commercial activities, including sales and marketing, will lead Rover's drive to reposition its cars at the premium end of the market. He is also to become chairman of a new, independent and as-yet unnamed company to be set up by Rover Marketing to provide integrated marketing services to the group.

Thames Water pays £59m for US and German acquisitions

By Michiyo Nakamoto

THAMES WATER, the largest of the UK's privatised water companies, is strengthening its environmental engineering activities with the acquisition of a German engineering design and contracting business and a US manufacturer of municipal water treatment products for a total consideration of just under £59m.

Thames, which has been one of the most aggressive groups among the privatised water companies in diversifying out of its core regulated water business, is acquiring Mitteldeutsche Wasser-und Umwelttechnik AG Halle (UTAG), and FBL Holdings (Leopold), based in Pittsburgh.

The acquisitions, among the largest foreign purchases to date by water companies since privatisation, will bring Thames's non-water business turnover up to £250m. The deals will give Thames possibly the highest proportion of unregulated earnings among the privatised water companies.

Mr Mike Hoffman, chief executive, said that the acquisition of UTAG, was a strategic move that would enable the group to strengthen its presence in continental Europe.

Germany, in particular among European markets, provided a significant opportunity as investments totalling up to DM10bn (£3.5bn) per year were expected to be made over the next ten years to bring eastern Germany's water supply and waste water standards up to EC levels. It would also position Thames to move further into both eastern and western European markets.

The group won a strongly-contested battle to take over UTAG from the Treuhand agency. It put in the highest bid at £33m and has pledged to retain 935 jobs which, together with investments, will bring additional investment in the German company to about DM20m, according to Mr David Luffrum, finance director. UTAG has annual sales of DM131m.

The acquisition of Leopold for $44m (£25.9m) will strengthen Thames's presence in the US. Leopold's experience in the municipal sector will complement Thames's operations through LA Water Treatment in the US industrial water treatment market as well as provide an important route for distributing group products in the US.

LA Water Treatment is expected to achieve turnover of about £10m while Leopold's for the year to end-May is expected to be about $30m.

Hanson nearer continental buys

By Roland Rudd

HANSON, the acquisitive conglomerate, yesterday said it was more likely to buy into continental Europe now that the rules governing hostile bids were clearer.

At an analysts meeting in Paris, Mr Peter Harper, chairman of Hanson's UK industrial division, said: "We want to move into continental Europe. The opportunity for such a move we have not yet discovered."

He said Hanson had always been held back from buying a European company by the thought it could be thwarted by hidden laws, but now the European Commission has the power to rule on cross-border EC buys. "We applaud that power," he said. The shares yesterday rose 8½p to close at 212½p.

Hanson last year unsuccessfully pursued a merger with Imperial Chemical Industries, partly to give it new businesses outside its Anglo-American base.

For the year ended September 1991, turnover by geographical location, was £3.8bn in the UK, £3.5bn in the US and just £827m in the rest of the world.

Analysts interpreted the announcement as evidence that Hanson had also decided that a UK hostile bid was too difficult in the present political climate. However, Mr Harper reiterated that Hanson was keeping its options open over its 2.8 per cent stake in ICI.

Mr Harper added that Hanson would still prefer a friendly acquisition on the Continent.

He said Hanson's borrowing power stood at £15.8bn after paying for Beazer, the building and materials group.

Hanson had been looking for opportunities in continental Europe for the last three to five years, Mr Harper said.

Dividend rise lifts Southern Business shares

By Peggy Hollinger

SHARES IN Southern Business Group, the photocopier supplier which came under fire 18 months ago for its contractual practises, yesterday jumped 15 per cent as the company announced a modest rise in annual profits from £14m to £14.4m.

Analysts said the share price, which closed 14p up at 106p, took heart from the decision to lift the final dividend from 1.62p to 1.91p, making a total of 2.94p.

Profits were struck on turnover ahead 9 per cent at £51m. The group claimed forward contracting income – the total value of all its contracts – of £300m at the end of the year to September 30. The average life of Southern's contracts has been reduced from about nine years to six.

Mr Roger Limpenny, finance director, said the company had spent a considerable amount of "time, energy and money rectifying our past misdemeanors".

He was referring to accusations that Southern had offered onerous contracts, sold by salesmen employing high pressure techniques. The sales force had been retrained and Southern now boasted an endorsement from the Plain English Campaign on its revised contracts.

Mr David McErlain, managing director, was equally anxious to quash any lingering doubts about Southern's practices. "The criticisms caused us to take a long hard look at our company . . . That [in turn] enabled us to come in with results which have more than shown we have held our own in a difficult marketplace."

Earnings per share rose from 9.67p to 10.07p.

● COMMENT

Reporting an increase in profits and turnover at a time when your main customers – small businesses – are falling at a rate of knots is not bad going. Then, to raise the dividend 15 per cent – indicating that 1992 is likely to be even better – will leave many competitors green with envy. Southern is rightly proud of generating so much cash last year, but that is partly a consequence of slower growth. When recovery comes, the company, which grew at an annual compound rate of 20 per cent between 1984 and 1990, is likely to have to return to shareholders for cash. For next year, forecasts are pitched at £16.1m, giving a prospective p/e of 9.5. For the moment, the shares appear to be undervalued.

Crown Comms in the red

By Peggy Hollinger

CROWN Communications, the radio broadcasting company which owns London's LBC station, plunged into the red last year as losses mounted at its French RFM subsidiary. There is no dividend.

The total deficit for the 12 months to end-September came to £6.79m, compared to taxable profits of £611,000 last time. Turnover rose from £20.6m to £23.8m.

Mr Brian MacLaurin, corporate affairs director, said RFM incurred losses of almost £3m.

Losses were also incurred at IRS, Crown's advertising arm.

Gearing, which stood at 200 per cent before the £4.5m rights issue in October, was down to 100 per cent. This would be further reduced by the sale of non-core assets.

During the year, Crown sold its stakes in Southern Radio for £3.8m and Radio Forth for £1.3m. However, interest charges rose by £1m to £2.8m, due to delays on those sales.

Losses per share deepened from 1.3p to 22.9p.

Seton to sell US subsidiary

By Andrew Bolger

Seton Healthcare Group has agreed to sell SePro Healthcare, its US subsidiary.

The medical and sports equipment group said that to benefit fully from developments in the US health market, it would need a sales force outside the hospital market.

However, it had decided that SePro could not undertake this development cost-effectively on its own, and it would be better to concentrate management resources on the many opportunities in the UK.

Tecnol Medical Products will acquire SePro's Warm'N Form and Ice Bag product ranges for about $2.75m, (£1.5m) of which $900,000 will be paid to the former owners of Warm N' Form in lieu of outstanding payments under a previous agreement.

Acme United Corporation will acquire the remaining healthcare assets for $4.35m, payable over seven years.

Acme, which already distributes Seton's range of wound dressings, will acquire the US rights for several of Seton's other UK manufactured product ranges for an initial $2.5m, part of which will be satisfied by a small stake in Acme.

ScottishPower joint venture

By James Buxton, Scottish Correspondent

SCOTTISHPOWER yesterday set up a joint venture company with Utilicorp United, the US gas and electricity utility, to compete with British Gas in supplying commercial and industrial customers in Scotland.

ScottishPower thus becomes the third British electricity company to form a joint venture with Utilicorp in gas supplies. Midlands Electricity and Eastern Electricity joined up with Utilicorp in the second half of last year.

ScottishPower will be responsible for the marketing and administration of the new venture while United Gas, the UK wholesaling subsidiary of Utilicorp, will be responsible for supplying the gas, which will be transmitted through existing British Gas pipelines.

The new venture, which is named Caledonian Gas but will trade as ScottishPower, is owned 75 per cent by the Scottish company and 25 per cent by Utilicorp. It will compete with British Gas on price and also on service, according to Mr Martin Fleming of ScottishPower.

British Gas is open to competition for customers taking 25,000 therms or more of gas a year. ScottishPower expects that in due course the threshold will be lowered to 2,500 therms and that by 1996 the government will throw the domestic gas market for large households consuming at least 600 therms a year open to competition.

Receivers in at Co of Designers

Receivers have been called in at the Company of Designers, the building design consultancy which grew rapidly in the late 1980s through acquisitions.

The group, which was launched on the USM a week after the stock market collapse of October 1987, has current liabilities of between £5m and £6m. The shares were suspended on Monday at 7p.

KPMG Peat Marwick, appointed receivers, said they hoped to sell COD as an on-going business in the next seven to 10 days.

SB shares advance 18p

By Daniel Green

SMITHKLINE BEECHAM has received approval for the first vaccine against hepatitis-A, a disease usually contracted though contaminated food and water.

The drug, Havrix, was approved in Switzerland at the end of December, but the news was not published until yesterday. Its price will be revealed on January 27.

Investors were caught by surprise by the approval and the company's shares rose 18p to 963p, having been another 15p higher than that during the day.

Between 3,000 and 6,000 hepatitis-A cases are reported in the UK each year, but the figure is much higher in developing countries. Hepatitis A causes fever, jaundice and occasionally liver disease.

Mr Paul Woodhouse of stockbroker Smith New Court estimated that the drug could make sales of up to £75m a year.

NEWS DIGEST

£8.3m placing at John Wood

JOHN WOOD Group, the Aberdeen-based oilfield services company which is one of Scotland's largest privately-owned concerns, is broadening its shareholder base by placing £8.3m-worth of convertible preference shares with 13 institutions, most of them Scottish.

No cash is being raised for the company but the new shares will, on conversion, account for 8.7 per cent of John Wood's equity. The proportion of the company held by institutions will rise from 9.3 to 18 per cent, and the stake held by the Wood family will fall to 73 per cent and that of management and staff to 9 per cent.

Mr Ian Wood, chairman, said that the move was part of the evolution of John Wood away from being a family concern.

Beales Hunter £5.1m cash call

Beales Hunter, the Nottingham-based textile, refrigeration and electrical group, is launching a rights issue to raise about £5.08m net to fund two acquisitions and eliminate gearing.

At the same time the company announced a small rise in pre-tax profits to £1.2m (£1.11m) in the half-year to November 30. The interim dividend is lifted 0.1p to 2.3p.

Some 2.42m new ordinary shares at 220p apiece will be issued on a 1-for-3 basis.

The companies to be acquired are Ingram Electronic Services – for an initial £600,000 and further consideration up to a maximum of £1m – and Tyne Tees Forth Air Conditioning & Refrigeration for about £600,000.

Gateshead-based Tyne Tees is a subsidiary of NSM and follows February's £1.75m acquisition of Rock Refrigeration, Seward Refrigeration Supplies and Telewig (UK). In the year to March 31 1991 Tyne Tees made profits, before non-recurring items and tax, of £180,000. Net assets then were £142,000.

Ingram, an electronic components manufacturer based in Airdrie, Scotland, made £107,000 pre-tax in the year to March 31 and had net assets of about £192,000.

Turnover at Beales Hunter amounted to £20.8m (£19.1m) in the half-year to end-November, with operating profits up at £1.39m (£1.29m). However, after the issue of almost 1m new shares in February's open offer, earnings slipped to 12.4p (13.2p) per share.

Pelican to extend Café Rouge chain

The Pelican Group, the USM-quoted restaurant operator, reported an 84 per cent rise, from £71,000 to £131,000, in trading profits for the six months to September 30.

At the pre-tax level, profits fell by 50 per cent from £263,000 to £131,000. However, last year's figure was enhanced by an exceptional gain of £192,000 on the sale of properties.

Turnover advanced by £205,000 to £2.83m. Mr Roger Myers, chairman, said that Pelican now had 14 restaurants and intended to open a further six Café Rouge outlets.

Earnings per share declined to 1.1p (3.9p).

Pools side helps Zetters to £450,000

Zetters Group reported a 21 per cent expansion in pre-tax profits for the six months to September 30 1991.

The increase – from £372,111 to £451,010 – was achieved in spite of a fall in turnover from £11.4m to £11m.

The pools operation maintained turnover, directors said, with tight control over operating costs helping to lift profits.

In contrast, turnover in the competitions and marketing side dived from £680,051 to £231,655 reflecting the end of the News International Lotto competition which ceased in June of last year. Nevertheless, profitability of the Spotting the Ball competition was being maintained.

Earnings per share were at 4.1p (3.4p), and, in a move to reduce disparity, the interim dividend is lifted to 4p (1.75p).

Triplex Lloyd in double purchase

Triplex Lloyd, the engineering group with interests in the power, automotive and building products sectors, has made two acquisitions for a total consideration of up to £4.98m.

For an initial £2.75m, it is buying Paralloy, a specialist producer of horizontal centrifugally-spun high alloy tubing, fabricated assemblies and static cast fittings, mostly for the petrochemical industry. Further consideration of £750,000 will become due if profits for the year to March 31 1992 exceed £672,000.

The initial payment will be financed via the issue of some 1.96m new ordinary shares placed with institutional investors at 140p apiece.

Paralloy's net assets are expected to be £2.2m on completion, including assumption of its £3m overdraft.

The other company acquired is Precision Castparts – to be renamed Centaur Precision – which is a specialist investment casting producer of vacuum and air cast components for the aerospace, impeller and medical markets. The £1.48m purchase price is to be financed out of Triplex's own resources.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.25	17.36	17.36
0100	19.61	31.79	34.78
0130	19.96	31.79	34.77
0200	19.96	31.79	34.72
0230	19.96	19.73	22.31
0300	19.96	19.42	21.99
0330	17.25	17.45	17.45
0400	17.19	17.45	17.45
0430	17.17	17.36	17.36
0500	17.17	17.36	17.36
0530	17.17	17.38	17.38
0600	17.17	17.38	17.38
0630	17.17	17.38	17.38
0700	17.25	19.17	21.74
0730	19.94	19.91	22.51
0800	20.11	20.36	22.99
0830	20.64	20.99	23.63
0900	20.66	22.00	24.66
0930	21.62	22.02	24.70
1000	26.67	22.03	24.71
1030	26.67	22.02	24.71
1100	26.09	22.02	24.71
1130	20.44	22.04	24.73
1200	21.61	22.04	24.72
1230	21.59	22.02	24.70
1300	21.17	21.99	24.65
1330	21.14	20.96	23.60
1400	17.96	18.40	18.40
1430	17.70	17.98	17.98
1500	17.65	17.98	17.98
1530	17.58	18.14	18.14
1600	17.70	26.95	33.72
1630	23.73	72.39	67.77
1700	52.05	120.94	141.74
1730	58.79	129.59	149.80
1800	57.22	91.78	106.45
1830	37.13	46.87	53.12
1900	23.23	30.62	34.69
1930	22.69	24.80	27.80
2000	22.36	22.02	24.67
2030	20.10	21.12	23.73
2100	19.77	21.11	23.71
2130	19.59	20.59	23.19
2200	19.59	20.15	22.74
2230	19.59	19.91	22.50
2300	17.19	17.45	17.45
2330	17.18	17.36	17.36
2400	17.15	17.36	17.36

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Asda	int	1.25†	Apr 3	1.65	-	4.6
Beales Hunter	int	2.3†	Feb 21	2.2	-	9.15
Colorvision	int	3.1‡	Mar 6	-	-	5.5
Crown Comms §	fin	nil	-	nil	nil	1.5
Exmoor Dual Inc	int	2.5	Mar 4	2.45	-	10.5
First Leisure	fin	3.95	Apr 6	3.5	5.695	5.05
Group Dev Trust	fin	0.24	Mar 20	0.2	0.24	0.2
London Scottish	fin	1.875	Mar 12	1.875	2.75	2.75
Sthn Business	fin	1.91	Mar 6	1.62	2.94	2.56
Wyko	int	1.4†	Apr 10	1.4	-	2.8
Zetters	int	4	Feb 27	1.75	-	6

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Second interim; current period covers 18 months to March 31 1992.

In a pension scheme which can offer no guarantees

Bronwen Maddox reports on the gloomy prospects for MCC pensioners

MAXWELL Communication Corporation may not have to repair the £45m deficit in its pension fund, which could mean that its present employees lose all their pension benefits, according to a confidential report by Price Waterhouse, the accountants.

In a startling assessment of MCC's debts, Price Waterhouse says that there may be "no liability under the pension fund's trust deed to make good a deficit" if the scheme were wound up this year before the full provisions of the latest pension legislation come into force.

The report shows that the late Mr Robert Maxwell siphoned off £40m from the MCC pension fund – part of a total of up to £700m raided with apparent ease from all his companies' pension funds to support his tottering private business empire.

If the MCC scheme is not wound-up then MCC has a clear obligation to make up the deficit.

A decision whether to wind up would be made partly by Law Debenture Trust Company, independent stewards which Price Waterhouse recommended as new trustees of the fund, replacing a company run by Mr Robert Maxwell.

However Price Waterhouse, who are administrators of MCC under UK insolvency law and could also have a say in a wind-up decision, conceded that there was a potential conflict between the company's pensioners and its creditors. The fund's trustees act on behalf of present and future pensioners, but the administrators act for MCC's creditors and want to realise the maximum value from the company.

The MCC fund, which covers only its UK subsidiaries – Macdonald, Nimbus and the MCC head office staff – is thought to have lost some £40m of its £85m assets when its investments were lent without security to Mr Robert Maxwell's private companies.

That could leave it with a £45m deficit on its potential liabilities, provisionally estimated at £70m.

In spite of that hole, the fund can probably keep up payments to those now drawing a pension, according to the presentation by Price Waterhouse to MCC's bank creditors on December 18.

But it may not be able to meet obligations to deferred pensioners – those who have left the company but are still below retirement age – nor those to existing employees.

That means that employees – who have been paying 5.75 per cent of their pay into the scheme – may have lost most of their benefits.

They also risk getting nothing back if they continued to contribute – their payments might be set against the fund's deficit and so help only existing pensioners, according to Price Waterhouse.

Law Debenture is understood to have written to the scheme's members to say that until this risk is clarified, it would be wrong for it to accept more contributions.

The 1990 Social Security Act includes provisions to create a debt on the employer when schemes are wound up, but these will not come into force until 1992 or 1993.

MCC's US pension funds for Macmillan and Official Airline Guides, the US companies which are its main businesses, appear to have suffered no losses.

Price Waterhouse yesterday met MCC's bankers, who face huge write-offs on their loans of £1.6bn, to agree extra funding for MCC over the next three months.

The administrators "hope to progress soon" on selling small MCC businesses, which they assess could raise £105m to £159m after tax. Sales of US offices, including the OAG and Macmillan headquarters, could raise another £17m to £21m after tax.

However MCC's rivals have said that Panini, an Italian printer of stickers, and Collier, the US encyclopedia business, have been up for sale for more than 15 months, and are minor compared to MCC's main US businesses.

The report exposes how MCC's £1.1bn of shareholders' funds at March 1991 had been wiped out by Mr Maxwell's plundering in the months before his death.

Mr Maxwell's private companies owe MCC £252m which they now cannot pay. MCC's subsidiary Berlitz, the language instruction company, was included in its assets at £318m but its shares have been pledged to banks as security. US tax losses slice another £40m off the value.

Foreign exchange dealing also lost it £27m since March.

The overall result is that MCC's liabilities could exceed its assets by more than £500m.

● London & Bishopsgate Group and Robert Maxwell Group, two private Maxwell companies, yesterday won an extension of the High Court's Mareva injunction against assets of up to £4.35m of Mr Sheldon Aboff, a former executive of several private Maxwell companies.

LBG and RMG allege that two transfers were made from their funds in October 1991 of £3.1m and £1.25m to Mr Aboff's account, and that this money was used to buy MCC shares.

● Mr Kevin Maxwell was in court yesterday to hear the third day of his appeal for the right to silence in answering questions about missing pension fund money.

MCC assets on the block

Above, Collier's Encyclopedia; below, Nimbus Records; right, Panini

*Price Waterhouse estimates of selling price

Foundations targeted in pursuit of £1.3bn

The pursuit of £1.3bn missing from the late Mr Robert Maxwell's public companies has homed in on six secretive Liechtenstein foundations and two Swiss companies, writes Bronwen Maddox.

The six foundations or "stiftungs" – Corry, Allandra, Baccano, Akim, Kiara, and Jungo – have been targeted by accountants Arthur Andersen and liquidators of the collapsed Maxwell empire in their search for the missing millions.

Most of the missing money appears to have flowed out from the public companies Maxwell Communication Corporation and Mirror Group Newspapers and their pension funds to the web of 400 private Maxwell companies – and then out again to Liechtenstein, Switzerland, the US and Panama.

Arthur Andersen, who are administrators of the private companies under UK insolvency laws, now suspect that some of these foundations were used to conceal the origin of funds.

The Swiss-based companies Yakosa Finanzierungs and Servex are thought likely to have had a central role in the alleged scheme in which Mr Maxwell illegally supported the share price of MCC, now the subject of an investigation by the Serious Fraud Office.

Cityvision rebel holders expect 10% support

By Norma Cohen

TWO FORMER executives of Cityvision expect to have the backing of "well over" 10 per cent of shareholder votes in an unusual call to oust the company's current management following its agreement to be acquired by US-based Blockbuster Entertainment.

Cityvision, the UK's largest video rental chain which markets itself under the Ritz name, was the subject of an agreed £75m cash and shares offer from Blockbuster last November. Cityvision shares, which had been languishing at 25p, rose sharply when the deal was announced and are now trading at 50p, the value of the offer.

However, some shareholders had been unhappy with the offer, saying that despite the price premium, Cityvision's franchise operation, by far the largest in the UK, is worth more than that.

Yesterday, in a circular to shareholders, Mr Philip Crane, a video entrepreneur who sold out to Blockbuster, and Mr Ray Hipkin, founder of the Ritz video chain, urged shareholders to reject Blockbuster's offer which closes on January 22.

Instead, shareholders will be notified of an extraordinary general meeting at which they will be asked to name Mr Hipkin and Mr Crane to replace the current management.

In the circular, Mr Hipkin and Mr Crane charged that the company's current directors had failed to capitalise on the Ritz brand name and had failed to use innovative marketing techniques to gain market share.

Waterford Foods to buy Express Ireland in I£100m deal

By Tim Coone in Dublin

WATERFOOD FOODS, the Irish dairy and foods group, has agreed in principle to buy Express Ireland, a dairy offshoot of Grand Metropolitan, the UK drinks, food and retailing group.

Excluded from the deal is Express Ireland's 80 per cent interest in Carbery Milk Products, which is to be sold to Carbery Creameries, the minority shareholder which is owned by four Irish dairy co-operatives.

The deal is estimated to be worth I£100m (£93.6m) to GrandMet and ends weeks of speculation over the future ownership of Express Ireland: GrandMet last November revealed plans to reduce its dairy interests in the UK and Ireland to concentrate on more strongly branded segments of the food industry.

Last December GrandMet sold its Express Dairy liquid milk business in the UK and its Eden Vale chilled products business to Northern Foods for £359m.

Since then, as many as 10 contenders have been negotiating the takeover of Express Ireland in a battle between Irish food groups for scale and market share.

Express Ireland comprises: Carbery milk products, the Republic's biggest cheese-maker; Virginia Milk Products, which supplies cream to Bailey's, the GrandMet subsidiary which makes cream liqueur; Premier Dairies, the main liquid milk supplier to the Dublin market; and an Italian-style cheese production plant in Northern Ireland.

Waterford's main interests are in: Premier, in which it already has a 50 per cent stake; Virginia, which purchases about half of Premier's milk supplies; and the Northern Ireland plant at Magheragiin, although this last may subsequently be sold off.

As part of the deal, Virginia will continue to supply cream for the production of Bailey's Original Irish Cream.

The deal comes at a difficult time for Waterford, which last October bought United Co-operative Dairies in the north of England for £37.5m.

This followed the 1989 acquisition of Healds Foods, also based in the north of England. The two deals left Waterford with a considerable debt burden of some I£45m. The Express Ireland acquisition is expected to be financed by a rights issue of about I£30m together with long-term debt, and is likely to cost Waterford between I£50m and I£60m after subtracting what Carbery will fetch, and cash reserves within Express Ireland.

Stockbrokers in Ireland have been recommending Irish food industry stocks in recent months, and analysts say that a Waterford rights issue would be well-timed now, despite the company's debt.

Asset values up at Exmoor Dual

Improved net asset values were yesterday reported by Exmoor Dual Investment Trust.

The figures, accompanying the split-capital trust's first quarter results, showed net asset value per ordinary share of 79.3p at November 30, up from 63.5p on a year-on-year basis, and 82.2p (60.4p) per income share.

Net asset value of the zero coupon preference shares improved from 131.8p to 149p per share.

Net revenue for the period to end-November amounted to £236,504 (£255,521) for earnings of 0.47p (0.51p) per income share.

A first interim dividend of 2.5p (2.45p) is declared.

Electricity companies merge retail operations

By Michiyo Nakamoto

SOUTH WESTERN Electricity and South Wales Electricity are merging their retailing and appliance repair businesses into a new company, SWEB Retail.

The new company will be 80 per cent controlled by South Western Electricity, which will contribute 43 of SWEB's 67 retail outlets. The balance of the shares will go South Wales Electricity, which has also retained the right to sell its minority shareholding to South Western after 1996 for an estimated asset value of about £4m to £5m.

Annual turnover for the new company, which is planned to come into effect in early April, is expected to be in the region of £70m. The freehold and leasehold property rights will remain with the parent companies.

Mr David Jones, managing director of South Wales Electricity, said that the utility had been reviewing its retail business for some time.

The merger with South Western's retailing operations would provide it with an opportunity to move out of a business that was not profitable. In the six months to end-September, South Wales' retailing business incurred a loss of about £1m on turnover of just over £20m.

For South Western, the merger would enable it to increase volume, which, in electrical retailing, is crucial to profitability. South Western only came close to break even at the interim stage last year.

Mr Jones said the merger would lead to significant cost reductions through the elimination of 80 to 90 jobs, the rationalisation of warehouses, nationalisation of infrastructure and joint purchasing benefits.

Colorvision pushed into the red

By Roland Rudd

AN UNDERSTATEMENT of creditors led to Colorvision, the Liverpool-based retailer of television and satellite systems, incurring an interim deficit of £545,000 before tax.

The outcome for the six months to September 30 compared to profits of £148,000 last time. Following a change of year-end, the latest figures comprise the second interim period for the 18 months to March 31 1992.

An exceptional debit of £808,000 was needed after payments made to creditors, which had not been accounted for, came to light after the accounts were computerised.

It then emerged that the head office had repeatedly, for over a year, paid out money owed to shops, for advertising on Colorvision's behalf for example, without recording it.

Profits before exceptional items and taxation increased to £263,000 (£148,000) on turnover ahead from £17.6m to £24.1m.

Mr Neville Michaelson, chairman, said that during a period when national markets in television and video recorder sales had fallen the company continued to increase its market share.

Gross margins fell from 37.2 to 34.3 per cent as the group phased out finance purchases in favour of cash purchases.

Colorvision has continued its expansion of retail outlets. It now has 80 compared to 77 at end-March 1991 and anticipates having 85 by the end of March 1992.

Losses per share were 1.7p compared to earnings of 0.5p. A second interim dividend of 3.1p is declared.

£0.5m for Granada chief

By Gary Mead, Marketing Correspondent

GRANADA Group yesterday attempted to play down the furore over a £579,550 payment to Mr Derek Lewis, the group's former chief executive who resigned last September.

It is believed that as Mr Lewis had been with the television and leisure group since 1984, and that he left almost at the start of a three-year contract earning some £200,000 annually, the compensation package was not extreme.

Granada's annual report also revealed that Mr David Plowright, the current chairman of Granada TV, had exercised his right to purchase a house in Cheshire previously owned by the company for just over £81,000, against an estimated market value of some £400,000. Granada TV granted Mr Plowright the option at a price equalling Granada's costs. It acknowledged that the deals had led to a welter of telephone calls from concerned outsiders.

Defenders of Mr Lewis stated yesterday that Granada's successful bid for the north-west franchise last October owed much to him.

Pressure on margins as Wyko dives to £279,000

By Paul Cheeseright, Midlands Correspondent

SHARP AND sustained pressure on margins led to a collapse in interim profits at Wyko, the West Midlands-based manufacturer and distributor of bearings and power transmission components.

Pre-tax profits of £279,000 for the six months to October 31 were 80 per cent lower than the corresponding period's £1.42m. This translated into a fall in earnings per share from 3.8p to 0.66p.

But the group is maintaining its interim dividend at 1.4p despite having to dip into reserves to meet the full cost. Mr Philip White, chairman, explained that the move was a sign of confidence.

"We feel we possibly have seen the worst of it now. The thing has bottomed. We've seen some slight signs of improvement here and there," he said.

The figures were indeed better than in the second half of 1990-91 when pre-tax profits of just £181,000 were recorded.

The problem has been the pressure on margins. First half turnover of £25.4m was only fractionally down from that in the corresponding period; operating profits, however, fell from £2.01m to £853,000.

During the second half Mr White is expecting a better performance from UK manufacturing activities. There is, he noted, "a reasonable order book," but the main hope of higher second half earnings comes from the UK distribution network where the group will have a full six month contribution from EW Bearings' outlets, acquired last October.

Recently there have been signs that prices and margins were stabilising in the international distribution business, although general trading conditions remain unsettled.

Gearing, now running at 50 per cent, is expected to be under 40 per cent by the end of the year despite capital expenditure of £1.3m.

Drummond to call for £2.5m via rights issue

DRUMMOND Group, the worsted and wool textile company, is to raise about £2.5m net of expenses via a rights issue.

Ordinary shareholders will be entitled to apply for the new shares on a 1-for-2 basis. Preference shareholders will receive 0.3853967 new ordinary shares for each share held.

The issue of the new shares at 39p each is dependent on shareholder approval. Dealings are expected to commence on February 10.

Mr Stefan Simmonds, chairman, together with his family interests and Chargeurs Textiles, have irrevocably undertaken to take up their entitlements totalling 3.17m new shares (46.37 per cent).

Over the past three years the group has invested more than £9.5m in new machinery and acquisitions, and further capital expenditure is planned. the proceeds of the rights issue will be used initially to reduce borrowings, which stood at about £5.9m on January 5 1992.

The board forecasts that pre-tax profits for the year ending March 31 1992 will exceed £1.1m, while a final dividend of 0.75p, lifting the total from 1p to 1.5p, is also forecast.

Debts may force closure of Peruvian metal plant

By Sally Bowen in Lima

THE PRECARIOUS financial position of Peru's state-owned mining corporation, Centromin, has given rise to the distinct possibility that its huge La Oroya refinery and smelter complex might have to close temporarily.

Centromin is high on the government's privatisation list and an international tender for valuation of the company has been called. Former mines minister Mr Sanchez Albavera estimated the company's total worth at around $600m.

The company's cash-flow position, however, is acute. The immediate crisis arises from a refusal by state oil company Petroperu to continue supplying fuel on credit to Centromin, which has run up an unpaid bill for $200,000. Centromin owes estimated $60m to a wide variety of suppliers.

The closure of the smelter would have a dramatic effect on Peru's already beleaguered mining sector. Centromin is the principal purchaser of "dirty" concentrates from many of Peru's medium-sized mines. Some 2,500 local companies and an estimated 100,000 families depend directly or indirectly for their livelihood on Centromin.

On its own account, Centromin employs over 15,000 workers and exports metals and minerals worth $350m annually. The company accounts about a third of Peru's lead and zinc, a quarter of its silver and upwards of ten per cent of its copper.

Centromin has been technically bankrupt for many months, having lost $105m in the first half of 1991. In early January, a government decree authorised the company to sell off non-essential fixed assets in order to stay afloat.

Company managers were holding urgent meetings in Lima yesterday to seek a short term solution to the company's cash crisis. They hoped to avert La Oroya's closure by renegotiating the Petroperu debt.

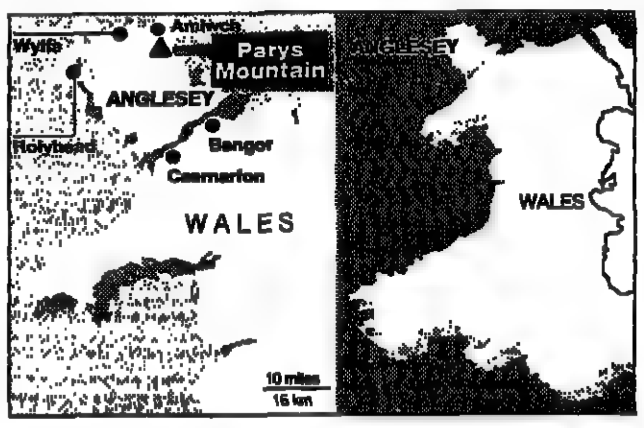
The only approach so far from a potential purchaser for Centromin – Boliden of Sweden – was rejected last year because it involved use of secondary debt paper.

Financing difficulties delay Anglesey base metals project

By Kenneth Gooding, Mining Correspondent

DEVELOPMENT OF Britain's first big base metals mine for decades, at Parys Mountain, Anglesey, is being seriously delayed by financing difficulties.

Anglesey Mining, the company floated on the London Stock Exchange in 1988 to develop the Parys Mountain property into the UK's biggest-ever metals mine, is now seeking a joint venture partner to bring the project back on track.



The zinc-lead-copper mine was scheduled to come into operation early in 1993. Anglesey says that production can start 15 months after financing is completed.

Plans also call for the mine to produce a steady stream of authenticated Welsh gold for which there are customers who will buy at a premium to the market price.

Anglesey so far has spent about £8.5m on the project and now needs another £25m to take it through to production.

Two banks, the Swiss Bank Corporation and the Bank of Scotland, agreed in October to provide project loans of up to $25m (£14.5m) and Anglesey also received a £2m Welsh Office assistance grant because the mine will create 147 jobs.

However, raising the equity part of the package has proved impossible so far. Most of Anglesey's shareholders seem keen to subscribe for new shares but its biggest shareholder, Imperial Metals, a Canadian mining company which owns 43 per cent, is not able to.

Like nearly every other metals mining company in the world, Imperial is suffering from present very low prices and it has other projects requiring capital.

Mr Mark Wellesley-Wood, a director of Kleinwort Benson Securities, Anglesey's advisers, said two companies were studying joint venture proposals but any arrangement obviously would take some time to work out.

Two of the likely candidates, Outokumpu, the state-owned Finnish group, and Minorco, the offshore investment arm of the Anglo American Corporation of South Africa, had been approached but indicated that they would prefer to concentrate on projects in Ireland in which they had interests, he added.

A Parys Mountain feasibility study suggested that, by milling 250,000 tonnes of ore a year, the mine would produce concentrates containing 13,000 tonnes of zinc, 5,700 tonnes of lead and 2,500 tonnes of copper. The mine would also produce about 5,000 troy ounces of gold of which 2,500 to 3,000 ounces could be recovered by Anglesey and authenticated as "Welsh" gold.

During pilot plant testing, more than 2,000 tonnes of ore was processed and about 250 tonnes of metal concentrates were sold to the Pasminco smelter at Avonmouth.

Parys Mountain has a long mining history dating back to Roman times. During the late 18th century it was one of the world's largest copper mines, supplying much of the metal required for Britain's Industrial Revolution.

About 3.5m tonnes of rock was moved by hand, pulled up from a growing pit by ropes and eventually the mountain contained the biggest man-made hole in the world – a record that was not overtaken until the 1890s. Mining eventually ended in 1911 after 143 years of almost continuous activity during which an estimated 130,000 tonnes of coper was produced.

The site is owned by the Marquess of Anglesey who will collect substantial royalties if the mine eventually proves profitable.

Backing for Quebec copper plan

By Bernard Simon in Toronto

COMINCO AND Teck, the Vancouver-based mining groups, have thrown their weight behind the Louvicourt copper, zinc and gold deposit in central Quebec by shouldering a large chunk of the development costs and acquiring a 25 per cent equity stake in the project.

The two companies will acquire their stake from Aur Resources, a junior mining group, in return for a cash payment of C$15m (£7.3m) plus a contribution of 55 per cent of the next C$100m in development costs. The contribution also covers Aur's share of the costs. Aur will retain a 30 per cent interest in the project.

The deal thus values Louvicourt, considered one of the most promising base metal projects in Canada, at a total of C$180m. Construction costs are estimated at C$320m.

The Louvicourt mill is due to start up in 1994 at a rate of 640,000 tonnes a year. Full production of 1.8m tonnes is scheduled for 1997. Metal output at full capacity is expected to reach 215m lb of copper, 53m lb of zinc, 36,000 ounces of gold and 960,000 ounces of silver.

Mr Raymond Goldie, analyst at Richardson Greenshields in Toronto, said besides high grades and large tonnages, Louvicourt benefited from being close to existing infrastructure, such as roads and power supplies. The mine, near the town of Val d'Or, will also be close to a smelter operated by Noranda, the Toronto-based resources group.

Because the deposit is adjacent to a mine that was closed in the mid-1970s, Mr Goldie expects the environmental review process to proceed relatively smoothly.

The remainder of the project will be financed by Louvem Mines, which has a 45 per cent equity interest. Louvem is 51 per cent owned by Noranda.

Fox tries to make up lost ground

David Blackwell on London's troubled commodity futures exchange

LONDON'S RAW sugar market moves from screen trading back to floor trading tomorrow as the troubled London Futures and Options Exchange (Fox) embarks on a year of readjustment after its property futures debacle.

Traders around the world will be watching closely what happens to the raw sugar market, which only 12 months ago was switched to screen trading in a move to boost rapidly fading volumes. The decision to move it back to the floor was taken in September, a month before Mr Mark Blundell, then chief executive, resigned after having initiated trades in the screen-traded property futures market.

In December the Securities and Futures Association fined five brokers between £60,000 and £80,000 for creating a false impression of investor interest in the market.

Fox has been a pioneer of screen trading, but its experience has not been happy. The white sugar market, launched in 1987, was the first market to be put on screens and has remained relatively successful. But since then contracts in rubber, rice and property have been launched and closed. The base metals index contract was trading reasonably well until the property futures scandal, when volumes collapsed, while an arabica coffee contract has attracted little attention.

One of the first actions of Mr Phillip Thorpe, the new chief executive, was to order a review of the exchange by Arthur Andersen, the accountancy group, and he expects the results shortly. "It will be an audit of where we are and a blueprint of where we want to be," he said this week.

But he is clear that Fox will be concentrating on its core agricultural contracts in the short to medium term. He also insists that he has no preconceptions as to how they should be traded – floor or screen.

The exchange is very much the creation of a succession of mergers. It was not until 1986 that the coffee, cocoa and sugar markets merged in order to defray the costs of regulation under the Financial Services Act. In 1990 the exchange merged with the Baltic Futures Exchange, taking over contracts in grains, potatoes, meat and freight futures.

The degree of merging, however, has been limited by the individuality of the markets. Mr Piers Fletcher, a director of both London Fox and GNI, the futures broker, believes the hearts of the original three individual markets have not been in co-operation. "The merger was never fully consummated," he says.

For several years GNI, a member of all the Fox markets, has consistently pushed the idea that all the markets should be traded on a single floor using a pit system, like the London International Financial Futures Exchange or the big US commodity markets. This would enable traders to cross from one pit to another, following the active markets.

However, the sugar, coffee and cocoa market committees have retained their autonomy at Fox, and Mr Fletcher concedes that the cocoa committee, which runs Fox's most successful market, would point to recent events as a good reason for hanging on to control.

Mr Thorpe agrees that one of the key issues Fox has to address is whether members want a strong central authority or an umbrella over individual markets. "We have to decide what the exchange is for," he said. "Is it to introduce new contracts? To service markets? Or is it just a regulatory umbrella?"

Members must decide whether they want a strong central authority or an umbrella over individual markets

He is also certain that Fox will have to organise itself in order to maximise the benefits of the mergers. "Only the most efficient markets will survive, and Fox has got to be competitive."

Mr Michael Overlander, chairman of the exchange's sugar market committee, does not underestimate the difficulty of re-establishing London's raw sugar market.

"We know we have an uphill task. We also recognise that this is a last ditch attempt at success," he said this week. There was no clear single reason why the volume had disappeared from London, although the trading world had changed drastically, and the number of players was far smaller than five years ago.

Several companies and assorted locals (traders who operate on their own account) will staff the raw sugar floor, which will trade on a pit system between the coffee ring and the agricultural contracts. The companies include Sucden (UK), Refco Overseas, Credit Lyonnais Rouse, Pierson ICS and GNI.

Fox also points out that about 70 traders attended a registration meeting last week, indicating a strong interest in the new market.

However, Czarnikow, one of London's biggest physical sugar traders, will not be manning the new floor. Mr John Barnaby, managing director of Czarnikow Sugar, said the group simply did not have the business to justify a presence on the trading floor. He did not rule out using the London market, via local traders, if his clients wanted to use it, but "very few of our clients want to use it. The major users of raw sugar – the big producers and buyers – now use New York as the medium for raw sugar pricing," he said.

Mr John Darling, a director of E.D. & F. Man, said that as a major international sugar house his company was committed to the market as far as it could be, with three registered traders based at the nearby coffee ring and freight futures pit. "We are well disposed to act quickly," he said yesterday, but there were no indications that volumes were going to leap. The company would man the sugar floor full time "as soon as it became economically viable".

Mr Overlander is convinced there is still a desire to trade raw sugar in London, pointing out that there are basic differences between the London and New York contracts offering opportunities for arbitrage. Mr Fletcher believes the market stands a good chance of survival if the big players use it.

Mr Fletcher is also optimistic about Fox's future, pointing out that while all three soft commodities have been in the doldrums together, there is good reason to believe cocoa and coffee are heading for better times. "We ought to see the present circumstances as an opportunity to build up the exchange," he said.

Mr Thorpe believes the freeing up of agricultural policies will greatly boost the potential of the exchange's grain contracts, and research will continue into a European grain contract. But the exchange will be very careful about launching contracts in future. Adding a new market may not be complicated or expensive, but that is not a reason to put it on the screen, he said.

Meanwhile Fox would be concentrating on the products it already has, which people want to trade, he said. "We are very conscious that we need to show that we run well as an organisation. We want the exchange to be approaching 1992-93 with a very strong foundation."

Brussels blow for dairy hormone

By David Gardner in Brussels

THE EUROPEAN Commission yesterday agreed a report on Bovine Somatotrophin (BST) that brought to the forefront its concerns that the growth hormone would run counter to its efforts to reduce farm output.

The interim report follows last month's endorsement by the council of ministers of a further, two-year moratorium on licensing the hormone, which boosts the output of dairy cows by between 12 and 25 per cent, according to different studies.

The report and the council decision together amount to "a clear signal that chemically based production improvements are not likely to be a feature of the future", a commission official said. This is a blow to Monsanto and Eli Lilly, the two companies seeking authorisation for hormones they have developed, which some analysts believe could create a $1bn market worldwide.

The commission report accepts that BST has no discernible effect on humans who consume milk and dairy products from cows treated with it. The hormone meets "quality" and "efficacy" criteria as well, though there is an animal welfare consideration because the need to inject it daily causes swelling and mastitis.

But the report notes that "a veterinary medicinal product may not be authorised . . . if its use would contravene the rules and objectives laid down by the community within the framework of the common agricultural policy".

Plans to overhaul the CAP envisage sharp price and output cuts, to deal with overproduction, which in the dairy sector is running at 15 per cent, despite the use of ever more restrictive quotas. Widespread use of growth hormones would drive a coach and horses through this strategy.

Chicago wheat futures bounce after early fall

By Barbara Durr in Chicago

WHEAT FUTURES prices at the Chicago Board of Trade bounced yesterday after early profit-taking following the previous two days of rises, which had taken them to life-of-contract highs.

By mid-morning, the spot contract had risen 1.25 cents to $4.1425, while May wheat rose by 1.75 cents to $3.99, July by 3.25 cents to $374.5 and September by 3.5 cents to $377.

The increases came after some contracts had fallen by several cents. Wheat has been rising since the US Agriculture Department revealed at the start of the week that farmers had planted fewer acres of winter wheat and that wheat stocks were at their lowest point for almost two decades. World wheat stocks are also low.

Adding to the price pressures are continued good demand and below par growing conditions for the winter wheat crop, said grain analyst Mr Richard Feltes of Refco.

Some analysts are suggesting that wheat could rise to as much as $5 per bushel, though tough price resistance is expected at $4.50.

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium bounced higher on the LME after a wave of buy stops were triggered in the afternoon. Traders said that dealer buying and option covering took three-month metal above $1,160 a tonne, touching off sizeable US customer buy-stops. The rise accelerated sharply before sufficient profit taking and hedge selling built up to prevent a close above the next resistance point at $1,190. The move was seen as mainly technical, and although it might still have a little way to run it would need the support of consumers if it was to be sustained. And it was not likely they would chase the market higher with so much surplus metal available, traders said. Copper prices closed higher in the wake of aluminium. In contrast tin bounced down to a new contract low of $5,485 a tonne for three-month metal before buying re-emerged. Silver moved ahead on the London bullion market after a day of active and volatile trade which moved the market onto a positive chart footing. But one dealer said silver would have to breach resistance at 425 cents a troy ounce to achieve a break through into a new trading range. Silver dragged gold ahead, but producer selling was seen capping rises at the upper end of the new range between $352 and $358.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.85-4.95q	+.225
Brent Blend (dated)	$16.35-6.45	+.175
Brent Blend (Mar)	$17.85-7.95	+0.20
W.T.I. (1 pm est)	$18.05-8.05q	+.225

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$201-203	+0.5
Gas Oil	$171-172	+2
Heavy Fuel Oil	$59-61	
Naphtha	$189-191	+1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$354.55	+0.65
Silver (per troy oz)♣	414.0c	+5.5
Platinum (per troy oz)	$337.75	+5.5
Palladium (per troy oz)	$83.0	+2.0
Copper (US Producer)	98.21c	+0.06
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.51r	-0.01
Tin (New York)	252.75c	-1.0
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.06p	-0.15*
Sheep (live weight)†♣	104.72p	+3.12*
Pigs (live weight)†	84.07p	+1.14*
London daily sugar (raw)	$215.0t	-1.5
London daily sugar (white)	$265.5t	-1.5
Tate and Lyle export price	£230.0	+2.5
Barley (English feed)	£124.5	
Maize (US No. 3 yellow)	£147.5	+0.5
Wheat (US Dark Northern)	£101	
Rubber (Feb)♥	51.75p	+1.25
Rubber (Mar)♥	52.00p	+1.25
Rubber (KL RSS No 1 Feb)	215.0m	+0.5
Coconut oil (Philippines)§	$760y	+5.0
Palm Oil (Malaysian)§	$380.0y	+5.0
Copra (Philippines)§	$455.0t	
Soyabeans (US)	£143.0	+2.5
Cotton "A" Index	59.45c	+0.05
Wooltops (64s Super)	406p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	182.20	184.00	183.30	181.80
May	183.40	185.00	183.80	183.40
Aug	187.00	190.00	189.00	185.40

White	Close	Previous	High/Low	
Mar	264.5	266.4	265.0	262.5
May	268.8	270.5	268.5	268.0
Aug	271.8	273.0	271.0	268.5
Oct	257.3	258.5	256.5	254.5
Dec	257.3	258.1	255.0	
Mar	257.3	258.5	255.0	

Turnover: Raw 75 (286) lots of 50 tonnes. White 1093 (1784)

Paris- White (FFr per tonne): Mar 1487.65, May 1509.18

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Feb	18.20	17.89	18.33	17.65
Mar	17.88	17.55	18.05	17.39
Apr	17.73	17.45	17.80	17.30
May	17.70	17.33	17.70	17.31
Jun	17.30	17.23	17.30	
Jul	17.73	17.37	17.73	17.71
Oct	17.95		17.95	
IPE Index	18.01	17.87	18.01	

Turnover 22000 (34086)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Feb	168.75	165.75	169.00	161.75
Mar	168.50	165.75	168.75	161.75
Apr	166.50	164.00	166.50	160.50
May	165.25	163.25	165.25	160.75
Jun	166.25	163.50	166.50	160.50
Jul	167.50	165.00	167.50	162.75
Aug	169.50	167.25	169.50	165.00
Sep	171.50		171.50	170.00

Turnover 17250 (13734) lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jan.15	Jan.14	mnth ago	yr ago
1602.4	1600.6	1603.7	1650.7

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan.14	Jan.13	mnth ago	yr ago
Spot	113.68	113.37	113.95	122.48
Futures	121.21	121.24	120.83	125.74

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	732	728	734	723
May	760	752	760	749
Jul	787	777	787	775
Sep	810	802	812	801
Dec	844	836	846	835
Mar	873	864	875	865
Dec	949		950	939

Turnover: 6647 (4528) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan.14 900.35 (905.13) 10 day average for Jan.15 808.09 (816.81)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jan	1023	1030	1038	1020
Mar	1001	1005	1008	998
May	991	1000	1002	990
Jul	1002	1012	1014	1001
Sep	1014	1025	1025	1014
Nov	1030	1040	1040	1030

Turnover: 2477 (1024) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan. 14: Comp. daily 62.11 (62.29) 15 day average 62.09 (62.08)
Sterling close: January £589, March £590

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	118.3	118.3	118.5	117.5
May	138.9	139.0	138.0	137.5

Turnover 126 (126) lots of 20 tonnes.

SOYABEAN MEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	130.00		130.00
Apr	128.00	127.00	128.00
Jun	124.50		124.50

Turnover 100 (25) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Jan	1559	1556	1565	1550
Feb	1602	1585	1600	1585
Mar	1614	1605	1620	1614
Apr	1614	1606	1615	1605
Jul	1398	1403	1400	
Oct	1490		1500	
BFI	1521	1508	1521	

Turnover 273 (202)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Jan	125.95		125.70	125.25
Mar	127.90	128.30	128.70	127.80
May	131.60	131.90	132.50	131.50
Jun	133.20		133.30	
Jan	119.00	119.00	119.00	

Barley	Close	Previous	High/Low	
Jan	119.00	118.10	118.30	119.40
Mar	121.00	121.30	121.60	121.00
May	123.00		123.50	123.00

Turnover: Wheat 435 (124), Barley 98 (35).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jan	109.0	109.0	109.0	
Feb	108.5	109.0	109.0	108.5
Mar	108.5	109.0	108.5	108.0
Apr	108.5	109.0	108.5	

Turnover: 30 (23) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Index	128.62	128.00			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 35,702 lots
Cash	1164-5	1121.5-2.5	1128.5	1128.5-9		
3 months	1168-9	1145.5-6.5	1169/1145	1163-4	1188-9	120,286 lots
Copper, Grade A (£ per tonne)						Total daily turnover 20,934 lots
Cash	1207-8	1167-8	1210/1190	1206-1		
3 months	1228-8.5	1197-7.5	1228.5/1217	1219.5-20	1228-8.5	108,452 lots
Lead (£ per tonne)						Total daily turnover 2,875 lots
Cash	290.5-1.5	283.5-4	289/288.75	288.75-9		
3 months	303-3.25	295-5.5	304/300	300.75-1	300-1	15,925 lots
Nickel ($ per tonne)						Total daily turnover 1,880 lots
Cash	7325-35	7260-80	7300/7298	7298-300		
3 months	7400-5	7350-5	7425/7360	7365-70	7425-35	10,054 lots
Tin ($ per tonne)						Total daily turnover 1,032 lots
Cash	5445-55	5475-80	5450/5445	5450-5		
3 months	5510-15	5533-5	5525/5485	5510-5	5500-5	4,605 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,250 lots
Cash	1143-4	1144-5	1140/1135	1138.5-9		
3 months	1120-1	1115-6	1128/1115	1116-7	1128-5	40,689 lots

LME Closing £/$ rate: SPOT: 1.7655 3 months: 1.7287 6 months: 1.7035 9 months: 1.6791

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	354.30-354.80	
Opening	354.60-354.90	
Morning fix	355.60	201.580
Afternoon fix	355.55	202.477
Day's high	356.10-356.40	
Day's low	353.90-354.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.48	6 months	3.44
2 months	3.48	12 months	3.46
3 months	3.46		

Silver fix	p/fine oz	US cts equiv
Spot	234.80	414.00
3 months	241.20	418.35
6 months	246.90	422.35
12 months	258.85	432.00

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	355.50-358.50	202.50-203.00
Maple leaf	366.00-367.00	208.00-208.50
New Sovereign	86.50-87.50	49.25-49.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1050	130	165		4
1100	44	77	14	22
1250	6	28	74	72

Copper (Grade A)	Calls		Puts	
2000	140	152	4	16
2100	61	88	23	45
2200	16	45	78	96

Coffee	Mar	Mar
550	37	7
600	10	30
650	2	72

Cocoa	Mar	May	Mar	May
725	24	54	17	20
750	14	40	32	31
775	7	30	50	48

Brent Crude	Mar	Apr	Mar	Apr
1650	12			
1700	26			
1750				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	354.7	354.6	0	0
Feb	354.7	355.2	357.1	354.5
Mar	355.7	356.2	0	0
Apr	356.8	357.3	359.2	356.5
Jun	359.0	359.4	361.0	358.8
Aug	361.1	361.5	360.8	360.8
Oct	363.3	363.7	365.3	363.3
Dec	365.6	366.0	367.7	365.7
Feb	368.0	368.3	370.0	370.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	336.9	336.3	338.1	338.1
Apr	336.9	336.3	341.5	336.5
Jul	338.4	337.8	342.0	339.5
Oct	343.4	343.1	347.0	345.0
Jan	344.4	344.3	348.0	348.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	413.7	407.6	415.0	413.0
Feb	414.5	408.5	417.0	417.0
Mar	416.0	410.0	420.5	413.5
May	419.4	413.4	424.0	417.0
Jul	422.7	416.7	426.0	421.0
Sep	426.2	420.1	428.5	423.5
Dec	431.6	425.4	435.5	430.0
Jan	433.5	427.3	0	0
Mar	437.5	431.2	440.0	438.0
May	441.9	435.5	442.0	442.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	95.40	94.10	95.90	94.50
Feb	95.50	94.30	95.85	94.70
Mar	95.85	94.70	96.35	94.55
Apr	96.00	94.85	95.65	95.50
May	96.10	95.00	96.50	94.90
Jun	96.20	95.25	95.90	95.90
Jul	96.35	95.55	96.75	96.00
Aug	96.50	95.70	96.40	96.40
Sep	96.70	95.85	97.00	96.10
Oct	96.85	95.95	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	18.77	18.47	18.88	18.75
Mar	18.93	18.61	19.10	18.52
Apr	19.03	18.70	19.15	18.65
Jul	19.15	18.88	19.22	18.90
Aug	19.19	18.94	19.19	19.11
Sep	19.18	19.00	19.28	19.18
Oct	19.25	19.06	19.30	19.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5420	5307	5460	5260
Mar	5445	5337	5480	5300
Apr	5350	5246	5370	5280
May	5250	5153	5270	5140
Jul	5225	5130	5245	5125
Aug	5305	5205	5315	5270

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1176	1193	1182	1169
May	1212	1227	1215	1204
Jul	1248	1263	1252	1240
Sep	1277	1292	1279	1271
Dec	1316	1331	1315	1310
Mar	1355	1371	1356	1358
May	1378	1391	1387	1382
Jul	1398	1406	1406	1405
Sep	1425	1446	0	0
Dec	1450	1466	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	77.95	77.90	78.20	77.40
May	80.75	80.75	80.95	80.20
Jul	83.60	83.35	83.50	83.00
Sep	85.70	86.00	86.10	85.80
Dec	89.35	89.40	89.60	88.00
Mar	92.70	92.80	0	0
May	94.90	94.95	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.25	8.30	8.31	8.25
May	8.31	8.37	8.36	8.31
Jul	8.31	8.37	8.36	8.31
Oct	8.38	8.40	8.40	8.35
Mar	8.42	8.41	8.40	8.38
May	8.36	8.39	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	56.83	56.93	57.40	56.71
May	58.40	58.50	59.00	58.30
Jul	59.75	59.70	60.19	59.61
Oct	62.10	62.05	62.30	62.00
Dec	62.66	62.60	62.80	62.55
Mar	64.00	0	64.00	64.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	155.90	158.05	157.00	155.90
Mar	155.75	156.90	156.70	154.90
May	155.60	158.90	156.50	155.00
Jul	155.95	157.00	156.60	155.20
Sep	153.50	155.15	154.05	153.50
Nov	142.05	142.65	0	0
Jan	141.85	142.50	0	0
Mar	141.85	142.50	0	0
May	141.85	142.50	0	0

WOOL
Prices paid for wool in Australia this week show little overall change compared with closing sales before the Christmas recess. Drought effects have tended to lower prices for finer categories, while well-grown broader types have become slightly dearer. There is trade confidence in a firm price outlook for the rest of the season, with demand matching reduced supply. This is despite no sign of demand from the old Soviet Union areas, nor payment of wool debts due from there. The market indicator was 576c/kg, which compares with 578c/kg at the closing sale in December.

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	567/6	557/2	571/4	557/4
Mar	571/2	560/4	575/0	560/0
May	577/4	567/2	581/2	566/6
Jul	587/0	576/2	590/0	575/4
Aug	590/0	578/6	592/4	579/0
Sep	592/4	581/6	595/0	581/0
Nov	597/6	586/6	600/4	586/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	19.25	18.79	19.25	18.75
Mar	19.48	18.96	19.53	18.94
May	19.76	19.27	19.76	19.27
Jul	20.04	19.56	20.10	19.55
Aug	20.22	19.73	20.22	19.75
Sep	20.30	19.83	20.30	20.00
Oct	20.35	19.93	20.35	20.10
Dec	20.60	20.15	20.60	20.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	175.3	172.8	176.6	172.0
Mar	174.7	172.1	176.5	171.0
May	175.6	173.1	177.2	172.0
Jul	176.6	174.8	178.5	173.2
Aug	177.6	176.0	178.5	174.7
Sep	178.6	177.0	180.0	176.5
Oct	193.7	192.0	194.5	189.5
Dec	195.6	193.0	195.5	191.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	261/6	259/2	262/2	257/2
May	268/6	265/4	269/2	264/0
Jul	273/4	269/6	273/6	268/4
Sep	269/6	268/2	270/4	265/4
Dec	267/0	263/4	267/4	262/6
Mar	273/4	269/6	273/6	269/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	416/6	413/0	418/0	409/4
May	401/6	397/2	402/4	394/6
Jul	378/4	371/2	379/4	368/4
Sep	380/6	373/4	381/4	371/6
Dec	391/0	384/0	391/0	382/0
Mar	391/0	385/0	391/0	384/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	74.60	74.27	74.65	73.87
Apr	74.75	74.37	74.80	74.12
Jun	70.40	69.95	70.45	69.82
Aug	67.82	67.47	67.95	67.40
Oct	68.47	67.95	68.47	67.80
Dec	69.25	69.05	69.25	68.75

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	39.77	38.40	39.85	38.17
Apr	39.25	39.12	39.30	[illegible]
Jun	43.42	43.32	43.60	43.05
Jul	44.20	44.12	44.28	43.75
Aug	42.62	42.60	42.70	42.35
Oct	40.35	40.45	40.37	39.90
Dec	42.67	42.77	43.10	42.70

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	35.47	35.05	35.55	34.40
Mar	35.02	35.82	36.10	34.95
May	37.25	36.70	37.30	36.05
Jul	37.42	37.25	37.65	36.82
Aug	36.60	36.45	36.70	36.05

LONDON STOCK EXCHANGE

Early gains reduced before the close

By Terry Byland, UK Stock Market Editor

International and domestic factors turned more favourable for the UK stock market yesterday and London followed the upward trend of other European bourses. The 60 point rise in the Dow Industrial Average overnight, quickly supported by a strong rise in the US dollar, drove the Footsie ahead by more than 40 points in early trading. Later, however, UK stocks began to flag and when Wall Street opened the new session 13 points down, the early gain in was halved.

Most of the early gain reflected widespread marking up of share prices by UK marketmakers. But other factors were also in the market's favour. The latest UK public opinion poll indicated that the Conservative government headed by Mr John Major was one point ahead of the Labour opposition, the first time since last February that this poll has put the government ahead. Also, Mr Major appeared to fuel speculation that the UK Budget in March may include some tax-cutting measures.

Account Dealing Dates		
*First Dealings:		
Dec 30	Jan 13	Jan 27
Option Declarations:		
Jan 9	Jan 23	Feb 6
Last Dealings:		
Jan 10	Jan 24	Feb 7
Account Day:		
Jan 20	Feb 3	Feb 17

*New-time dealings may take place from 8.30 am two business days earlier.

The strength of the dollar boosted the international blue chip stocks, while the pound's firmness against the D-Mark continued to soothe fears of a rise in domestic interest rates. And once again, a strong premium on the March futures contract on the FT-SE Index set the pace.

Against this background, the first half of the session was very optimistic and some institutional buying was seen, in particular of the privatisation stocks which are influenced by the government's re-election prospects. The electricity stocks, regarded as threatened in the event of a Labour party victory, responded strongly to the shift in public opinion polls.

However, sellers appeared when the market broke through the Footsie 2,550 mark and share prices were already coming off their peaks before Wall Street disappointed London by failing, in early trading, to extend the strong advance of the previous session. The final reading showed the FT-SE Index at 2,537.1, a gain of 20.8.

Trading volume increased sharply to 673.6m shares through the Seaq network, compared with 519.7m on the previous day. Stock Exchange data disclosed that customer, or retail business, remained strong on Tuesday, just topping the £1bn mark seen as the sign of a healthy and profitable stock market in London. Traders said that institutional business was good yesterday but warned that the big funds were selling as well as buying. One leading UK-based house said that the day's trading balance was ""skewed towards the sell side."

The Footsie was driven ahead by widespread gains in the dollar-orientated stocks, with BAT Industries, Reuters and SmithKline Beecham all sharply higher. The oil sector, where a setback last week dragged down the rest of the internationals, continued to recover yesterday in response to a change of view among UK based analysts.

Overall optimism brushed off on to the retail and building share sectors, both of which would respond readily to any moves to stimulate the UK economy by tax-cutting or similar measures.

A handful of weak spots in the market were seen as reactions to specific situations. Lonrho, with trading news due shortly, ran into sellers and both Glaxo and Wellcome gave back some of recent gains as attention switched elsewhere.

Bear raid on Lonrho

THE PRICE of Lonrho fell very sharply in midsession yesterday as a number of adverse stories circulated in the market. The shares closed 20 down at 143p with 8m traded.

UK investment bank S.G. Warburg has been selling the shares steadily for some time and continued to do so yesterday. There were lines of 1m and 1.4m shares traded around 150p. Traders said the shares had also been hit by bear raids. Lonrho is in its closed period ahead of the announcement of full-year results on January 28, and therefore not permitted to comment on its financial position. There is also a large number of shares believed to be seeking buyers in a market where noone appears willing to pick them up.

Speculation that Warburg had cut its profits forecast for Lonrho was, however, strongly denied. On Monday, County cut its dividend forecast to 12p from 16p. The shares have further been affected recently by "the tycoon factor", the belief that a company run by one dominant individual is vulnerable to unexpected developments.

Negative press comment following the resignation of executive director Mr Terry Robinson has also upset Lonrho, which has been buffeted by very low metal prices, still bumping along the bottom yesterday.

C and W doubts

Cable and Wireless continued to respond to stories of an imminent deal with AT&T, of the US, but closed well below the day's best after intermittent bouts of profit-taking during another active trading session.

The shares were hoisted to an all-time peak of 632p at the outset of trading, but quickly ran into a squall of selling, mostly inspired by BZW, before stabilising and then moving up again to close a net 7 higher at 625p. Turnover was a hefty 4.8m shares.

BZW responded to the strength in the C and W share price by removing the stock from its buy list. The investment bank said a bid from AT&T was "possible but unlikely", listing many practical and financial obstacles to a full bid. Prominent objections included AT&T's 70 per cent gearing, earnings dilution, the rarity of hostile US bids in the UK, and the "golden share" in C and W and C and W's overseas licences, which would require bid approval from the relevant authorities. The broker did, however, point out the credibility of AT&T taking a substantial stake in Mercury.

Gas busy

News that British Gas had avoided a referral to the Monopolies and Mergers Commission (MMC) by agreeing to the proposals put forward by the Office of Fair Trading triggered a flurry of activity in British Gas shares.

The stock, depressed over recent sessions by the prospect of an MMC referral, raced up from an initially easier 239p to 254p as the news emerged, before slipping back and ending a busy session 3 better on the day at 245p. Turnover in the stock reached a well-above-average 14m.

Specialists have long expressed concern at the prospect of an MMC referral, which some said could have led to an enforced dismemberment of the company. While some analysts said they would have preferred British Gas to have faced up to the rigours of a full MMC inquiry – "they are already staring at a new pricing formula of RPI minus 5, increasing competition and a tough 1992 trading year", said one – others were relieved at the news.

Mr John Toalster at Strauss Turnbull, long-term bulls of British Gas, said the news was "highly positive" for the shares. "The progressive dividend policy is now likely to be maintained," added Mr Toalster. Smith New Court also adopted a bullish view of the latest manouevring. Mr Steve Turner at Smith said: "It was always unlikely that the MMC could have offered a better deal than the OFT; it was not a pleasant choice but really Gas had no alternative."

Hanson active

Acquisitive conglomerate Hanson saw very heavy turnover for the second day running, with the shares adding 8½ at 212½p by the close, one of its biggest price moves for many months. Turnover of 16m shares was the highest since Hanson launched its bid for Beazer in September, and the heaviest among FT-SE 100 stocks yesterday.

Analysts said the shares were continuing to receive a strong push from the dollar's advance as half of Hanson's turnover is achieved in the US. There was also support from a news wire story, following a company meeting with analysts, that Hanson is more likely to buy into continental Europe now that rules governing hostile bids are clearer.

Fall in Guinness

Guinness was one of the weak spots in the Footsie, the shares losing 11 in a strong market to close at 538p with 4.9m traded.

Although most analysts in the sector have the stock on their buy lists a spate of selling was prompted by a rumour, largely discounted, that the spirits giant was considering a bid for Pernod Ricard.

Some analysts have been adjusting profit forecasts to reflect poor general trading conditions. Strauss Turnbull cut its 1991 estimate by £5m to £960m and 1992's by £10m to £1.115bn but said it remained a buyer. Strauss's figures are still around the top of the range of analysts' estimates.

SmithKline Beecham rose sharply after its Belgian unit said it had developed the first vaccine against Hepatitis-A, a viral disease that affects the liver. The unit said the vaccine was still to be commercialised but hoped it could go on sale later this year. The shares showed a gain of 33 at midday but eased to close 18 up at 969p on turnover of 3.2m.

Glaxo was volatile, moving up 15 in early trading before slipping back on profit-taking. The shares closed 9 down at 916p with 6.5m traded.

Broker recommendations were said to have been behind a flurry of buying in the bank stocks. NatWest raced up 12 to 276p on heavy turnover of 5.3m, with Kleinwort Benson and County NatWest said to have given the stock a push.

Utility shares gave a ready response to the whiff of a Conservative victory in this year's general election. Water shares in particular, the regional electricity stocks and the power generators all came in for strong support after a national newspaper opinion poll indicated that the Tories had overtaken Labour.

Water issues have come under periodic bouts of downward pressure after a series of opinion pools showed Labour ahead of the Conservatives. The Labour party has consistently said it would renationalise the water companies. Labour also recently criticised the level of profitability of the electricity companies.

An early gain in Rolls-Royce was curtailed after UBS Phillips & Drew weighed in with a harsh profits downgrading and took the stock off its buy list.

The broker now forecasts 1992 profits of £110m against its previous estimate of £150m. Explaining the cut Mr Paul Compton said there would be "more redundancies in 1992 and a delay in spare parts recovery". Having risen 5 initially, the stock ended a penny down on the day at 138p; turnover swelled to 11m shares.

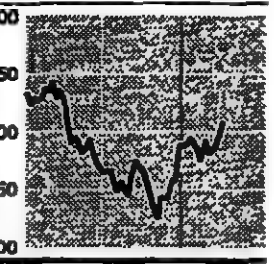
Associated British Ports closed 4 down at 319p after the company warned that profits for 1991 will be around half of 1990's £60m because of falling property values.

Forte receded 7 to 230p, depressed by hints of profits downgradings. UBS Phillips & Drew, Forte's broker, emphatically denied market stories that it had lowered its estimates for Forte.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

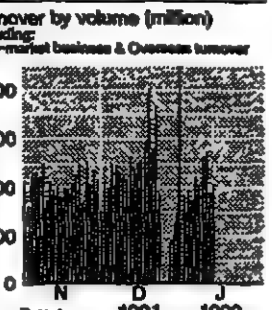
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 23.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (192). BRITISH FUNDS (3) Fd. 6pc 1993, Tr. 3pc Il. 1998, OTHER FIXED INTEREST (3) African Dev. 11¼pc 2010, Asian Dev. 10¼pc 2009, GLC 6¼pc '90-92, AMERICANS (11) Amdahl, Dun & Bradstreet, Hasbro, Honeywell, Houston Inds., Lowe's, Merrill Lynch, Morris (Ph), PaB, Southwestern Bell, Viagin Mangt., CANADIANS (7) Ancel, Barrick Res., BC Dev., BCE, Bank of Nova Scotia, Brascan, Can. Pacific, Can. Imperial Bank., BANKS (3) ABN Amro, Deutsche, BREWERS & DISTILLERS (5) Bass, Bulmer (HP), Greenalls, Do. 5.25pc Prf., Scot. & Newcastle, BUSINESS SERVICES (4) Barbour Index, CRT, Inchcape, Rentokil, CHEMICALS (6) BOC, Bayer, Fisons, Schering, Yule Catto, CONGLOMERATES (1) Bibby (J), ELECTRICALS (4) China Light, Ericsson (LM), Philips Elects., Hawker Siddeley, ELECTRONICS (4) Eurotherm Intl., Farnell, Norsk Data A, Radamec, ENGINEERING AEROSPACE (1) FR, ENGINEERING GENERAL (8) Fairey, SKF, Siebe, Victaulic, Weir, Wheeloc, FOOD MANUFACTURING (11) BSN, Cadbury Schweppes, Cranswick, Nestle (Br.), Do. (Regd.), Tate & Lyle, Do. 7.25p Prf., Trees, Unilever, Do. N/V, Utd. Biscuits, FOOD RETAILING (3) Iceland Frozen, Kwik Save, HEALTH & HOUSEHOLD (12) AAH, Bespak, Crown Eyeglass, Halstead Nycomed Free A, Do. B, Intercare, Novo Nordisk B, Seton Healthcare, SmKl. Beecham A, Do. Equity Units, Takare, UniChem, HOTELS & LEISURE (7) First Leis., Granada, Mandarin Oriental, Photo-Me, Stanley Leis., Tasleng, Zetters, INSURANCE LIFE (3) Irish Life, Lincoln Natl., Transatlantic, INVESTMENT TRUSTS (15) City of Oxford Zero Prf., ECU, Martmore Asset, Gartz, Zero Prf., Latin Amer. Wrnts., Murray Split Cap. Zero Prf., Rights & Issues, Scot. Nat. Stpd. Prf., Scot. Value, TR Technology Zero Prf., Templeton Emrg. Mkts., Do. Warrants, Do. 1pc Cv 2001, Whitbread Inv., MEDIA (4) Carlton Comms. 6.5p Prf., Euromoney Publctns., Reuters, Ulster TV, MISCELLANEOUS (2) BAT Inds. 12¼pc Uns. '02-06, Sthn. Business, MOTORS (1) Cowie (T), OIL & GAS (2) Ohio Res., Tullow, OTHER FINANCIAL (2) Ivory & Sime, Templeton Galbraith, OTHER INDUSTRIAL MATERIALS (3) Harris (Ph), Tomkins, Do. 5.5pc Prf., PACKAGING, PAPER & PRINTING (3) CMB Packaging, De La Rue, Repola, PROPERTY (1) Slough Ests. 8pc Cv. 2008, TELEPHONE NETWORKS (3) Cable & Wireless, Do. 7pc Cv. 2008, Nthn. Telecom, TEXTILES (1) House of Lerose, TRANSPORT (5) British Airways, Do. 9¾pc Cv., CSX, Ocean Wilsons, TNT, SOUTH AFRICANS (1) Barlow Rand.

NEW LOWS (36). BUSINESS SERVICES (1) Corporate Servs., CHEMICALS (1) Sutcliffe Speakman, CONGLOMERATES (1) Lonrho, CONTRACTING & CONSTRUCTION (3) Laing (J) A, Prowting, ELECTRICALS (1) Wholesale Fitgs., ELECTRONICS (1) Sema, ENGINEERING GENERAL (3) Aerospace Eng., Elliott (B), Neepsend, FOOD MANUFACTURING (3) Matthews (B), Sheldon Jones, FOOD RETAILING (1) Appleby Westward, HOTELS & LEISURE (1) Whitegate Leis., INVESTMENT TRUSTS (3) M & G Inc. Geared Units, River Plate Wrnts., METAL & METAL FORMING (1) Linread, MOTORS (1) Mid-States, OIL & GAS (1) Triton Europe, OTHER FINANCIAL (3) Alex. Cater Allen, Union Discount, OTHER INDUSTRIAL MATERIALS (1) Whitecroft, PROPERTY (6) Chesterfield, Conwest Valley, Greycoat, Markheath Moore, Mowat, Palmerston, Regalian, Speyhawk, STORES (3) Clinton Cards, Stylo, TEXTILES (3) Alexandra Workwear, Gaskell, Vivat, TRANSPORT (1) Bergesen d-y A, MINES (1) Anglovaal.

FINANCIAL TIMES STOCK INDICES

	Jan 15	Jan 14	Jan 13	Jan 10	Jan 9	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.46	87.07	87.07	87.32†	87.36	83.70	87.94 (18/9/91)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	99.56	99.36	99.44	99.57	97.98	91.08	99.57 (10/1/92)	90.59 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1940.8	1910.4	1894.8	1874.2	1904.8	1649.8	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	158.9	152.3	158.3	160.6	151.2	155.0	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2537.1	2516.3	2490.1	2477.9	2497.9	2104.6	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1174.57	1149.94	1139.94	1140.60	1140.71	-	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
W.Govt. Div. Yield	4.69	4.73	4.76	4.80	4.75	5.82				
●Earning Yld %(full)	7.01	7.08	7.14	7.19	7.14	12.12				
●P/E Ratio(Net)(☆)	17.92	17.74	17.62	17.48	17.60	9.97				
SEAQ Bargns 4.45pm	32,079	27,193	26,526	32,925	28,569	19,810				
Equity Turnover(£m)†	-	1008.6	781.0	1133.70	1130.00	419.73				
Equity Bargains†	-	26,003	26,303	33,215	27,874	18,914				
Shares Traded (ml)†	-	425.6	391.2	556.2	537.6	241.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.91 † Correction

Ordinary Share Index, Hourly changes Day's High 1955.7 Day's Low 1931.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1943.6	1934.6	1940.4	1940.4	1951.5	1952.4	1952.8	1945.9	1941.7

FT-SE 100, Hourly changes Day's High 2556.9 Day's Low 2536.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2551.2	2543.9	2541.0	2542.4	2551.6	2552.8	2552.8	2546.1	2536.4

FT-SE Eurotrack 200, Hourly changes Day's High 1179.68 Day's Low 1166.22

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1169.95	1168.62	1171.18	1172.85	1176.17	1176.14	1172.42

GILT EDGED ACTIVITY

Indices*	Jan 14	Jan 13
Gilt Edged Bargains	74.3	90.6
5–Day average	82.2	85.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	72	405	+25	Coalite	1,400	114	-1	Lucas	2,800	110	+4	Shell Transport	2,500	494	+3
ASDA Group	27,800	36½	+3½	Courtaulds	[illegible]	[illegible]		MB Caradon	1,300	284	+3	Siebe	1,300	370	+12
Abbey National	2,300	284	+7	Dalgety	[illegible]	[illegible]		MEPC	[illegible]	[illegible]	+2	Slough Ests	[illegible]	[illegible]	-1
Albert Fisher	1,800	72	+2	De La Rue	[illegible]	[illegible]		Marks & Spencer	3,200	[illegible]		Smith (W.H.) A	1,100	[illegible]	+8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVE markets saw one of their busiest sessions in recent weeks, as turnover in both equity futures and traded options soared to high levels, writes Joel Kibazo.

In Footsie futures, the squeeze in the March contract, up to around 2,600 early in the session, soon gave way to heavy institutional selling as dealers tried to avoid being left with long positions.

That selling continued for most of the day, further prompted by the poor opening in the US bond market and on Wall Street, though March saw a modest rally in the dying minutes of the session.

March closed at 2,579, up 18 on the previous session and around 20 points above its estimated fair value premium to cash of 22. Turnover reached 9,157 contracts.

In traded options, turnover swelled to 51,352 lots, exceeding Tuesday's 29,608 level.

ASDA, which reported big interim losses, was the busiest stock option. It traded a 10,641 contracts with the April 48 calls the busiest series.

Hanson, also heavily traded in the underlying market, was the second busiest stock option with 3,558 lots dealt. This was followed by Boots with 1,783 contracts and Scottish and Newcastle with a day's total of 1,600 lots.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
12¼pc 1992‡‡		[illegible]	—	101½	100¼	12.70	—
10pc 1992		[illegible]		[illegible]	97[illegible]	[illegible]	10.42
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
15½pc '98‡‡		127½	+½	128[illegible]	121¼	12.10	9.85
Exch 12pc 1998		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield (1)	Yield (2)
Index – Linked	(b)						
Treas. 2pc '94	(102.9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

Barclays pursues Europe

BARCLAYS Bank is promoting two of its key continental European executives in a bid to underline the UK clearer's commitment to further development across the channel.

Carlos Martinez de Campos (right), who has made his mark by introducing innovations to Spanish retail banking, becomes director of European retail banking, a new function which he will fulfil from Madrid where is currently based. de Campos is 47 and has been with Barclays since 1978. More recently he has shaken up the Spanish financial establishment, for instance, by pioneering interest-bearing current accounts; he has also pushed ahead to open 33 new branches of the bank in Portugal during the past 15 months.

Meanwhile, Jacques Rambosson (above right), who heads the French operation, is promoted to director of European corporate banking, also a newly created position. Rambosson spent 8 years in London in charge of Banque Nationale de Paris' UK operation, before moving in 1988 to Paris with Barclays.

Barclays is one of the few European banks still to harbour ambitions of a pan-European strategy - pitting it alongside Deutsche Bank of Germany and Credit Lyonnais in France. De Campos and Rambosson will report to Richard Carden in London who is managing director of commercial banking in the UK and Europe.

Rambosson, who is 54, will among other things assume overall responsibility for corporate banking in Germany, a key country for Barclays particularly since it bought the exclusive blue-blooded Munich bank Merck Finck in September 1990. Giles Davison, who is based in Munich since the acquisition, remains Germany's area manager.

The new posts are two levels down from main board directorships. Will Barclays, which last year appointed two non-executive directors from overseas, be cementing its international credentials with a foreign executive director in the not too distant future?

■ RODIME, the Scottish-based disk drive company, has restructured its board to reflect the fact that its manufacturing subsidiaries are in receivership; it is concentrating on pursuing patent infringement actions against other manufacturers.

Thomas Kamp, a senior figure in the US electronics industry, has resigned as chairman and is replaced by Malcolm McIver, senior partner of Bird Semple Fyfe Ireland, the Glasgow solicitors. McIver was already a non-executive director and acted as company secretary.

Jay Swent is resigning as finance director but will remain a non-executive director and consultant. Rodime has decided it no longer needs a full-time finance director.

William Batchelor, a Scot who was a founding shareholder of Rodime, leaves the board, as does Robert Ashley, a US electronics consultant.

David Mathewson, a director of Noble Grossart, Rodime's Edinburgh-based merchant bankers, becomes a non-executive director. Peter Bailey stays as managing director.

■ Keith Swinley has been appointed group company secretary of LILLEY.

■ David Newcombe, formerly finance director, has been appointed chief executive of PHILIP HARRIS Holdings; Stephen Wood, who has recently been responsible for the group's scientific business, has decided to leave.

■ Graham Melmoth, a non-executive director of the Cop-operative Bank, remains company secretary of the Co-operative Wholesale Society, and is not the former secretary as earlier reported.

Challenge for Dobson at Do It All

Peter Dobson is to be the new managing director of Do It All, the do-it-yourself company jointly owned by Boots and WH Smith.

Dobson, who joined Do It All as managing director when the company was formed in June 1990, is retiring at the age of 56 and will be succeeded by Steve Russell, who is currently director of merchandise at Boots the Chemist.

Dobson was not available to comment yesterday, but WH Smith says he is retiring because he has completed his task – that of integrating the Boots and WH Smith DIY businesses. "He's at an age when people are beginning to think about early retirement," says WH Smith.

Dobson was managing director of Payless, Boots's DIY division, before it was merged with Smith's DIY business. Although the joint venture's non-executive chairman was to be appointed in turn from each of the parent companies, Russell's appointment is based entirely on his qualifications, WH Smith says.

Russell will have a formidable task in turning round Do It All; turnover fell by 13 per cent in the six months to December 1, and the company is having to define and establish its new concept store in a difficult UK trading climate.

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING AEROSPACE

ENGINEERING GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MISCELLANEOUS - Cont.

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £[illegible] a year for each security shown, subject to the Editor's discretion.

London Share Prices

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To obtain your free share Code Booklet ring (071 925-2128)

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

INSURANCES

Allied Dunbar Assurance Plc

Allied Dunbar Ctr. Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Fixed Int. Dep. Acc.	328.1	345.4	+0.1	-
Equity Acc.	1034.8	1089.3	+16.3	-
Property Acc.	489.7	515.5	+0.2	-
Far East Acc.	198.4	208.9	+4.2	-
European Acc.	26.5	27.9	+0.4	-
Managed Cap	423.1	445.4	+5.9	-
Managed Acc.	810.0	852.7	+11.4	-
O'seas Earnings Acc.	720.3	758.3	+9.9	-
Gilt Edged Acc.	376.9	396.8	+1.6	-
American Equity Acc.	577.4	607.8	+19.6	-
American Man.Acc.	255.7	269.2	+8.5	-
American Prop Acc.	124.3	130.9	+3.0	-
High Income Acc.	23.7	25.0	+0.3	-
Gen 4				
Fixed Int Dep Acc	27.3	28.8		-
Equity Acc.	27.0	28.5	+0.4	-
Property Acc.	23.4	24.7	+0.1	-
Far East Acc.	23.0	24.3	+0.5	-
European Acc.	22.3	23.5	+0.4	-
Managed Acc.	27.0	28.5	+0.3	-
Overseas Acc.	27.8	29.3	+0.4	-
Gilt Acc.	29.2	30.8	+0.1	-
Am Equity Acc.	28.5	30.0	+0.9	-
Am Managed Acc.	27.6	29.1	+0.9	-
Am Property Acc.	21.4	22.6	+0.5	-
High Income Acc.	23.7	25.0	+0.3	-
High Income Ser 2.	23.7	25.0	+0.3	-
Pension Funds				
F.I. Dep Cap	362.0	381.1	+0.1	-
F.I.Dep.Acc.	679.0	714.8	+0.1	-
Prop. Cap.	507.4	534.2	+0.4	-
Prop. Acc.	1052.8	1108.3	+0.9	-
Man. Cap.	888.8	935.6	+15.3	-
Man. Acc.	1844.1	1941.2	+31.9	-
Gilt Edged Cap.	368.8	388.3	+1.7	-
Gilt. Edg. Acc.	624.0	656.9	+2.8	-

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar resumes strong rally

The dollar continued on its upward path on the foreign exchange markets yesterday, rising a full four pfennigs against the D-Mark in a hectic morning trading in London and holding onto the best of the gains through the afternoon session, *writes Simon London*.

Overnight trading in the Far East was subdued, with Tokyo closed for a national holiday. The dollar opened the day in Europe little changed from its closing levels in New York on Tuesday night at around DM1.5930 and Y126.75.

However, any hopes that the US currency would simply consolidate the gains made on Tuesday were soon dispelled. The dollar climbed to a peak of DM1.6280 and Y128.65 by mid-morning as dealers rushed to close short positions and take advantage of the bull run.

The US currency surged as it passed both the DM1.60 and DM1.62 barriers, as automatic stop loss trading programmes kicked into action. By the close the US currency stood at DM1.6220 from DM1.5905 on Tuesday, and Y128.40 from Y126.80.

As on Tuesday, the best of the gains were at the expense of the D-Mark. Analysts pointed to continued uncertainty over the current round of wage negotiations in Germany as a reason the for this weakness.

In addition, a speech given by Mr Wilhelm Noelling, a Bundesbank board member, the text of which was released in advance, suggested that German interest rates would be reduced in wage claims were not too high and if the global economy continued to slow.

The D-Mark weakened within the European exchange rate mechanism. Sterling gained ground to stand comfortably above DM2.85 by mid-morning.

However, this was still only just above its effective floor in the ERM, which rose as the Spanish peseta also appreciated against the German currency. The peseta improved to Pta63.41 against the D-Mark, from Pta63.57 on Tuesday.

However, in the afternooon session the Spanish currency drifted back to close at Pta63.4950. One reason was the release of unexpectedly weak inflation data for December, suggesting that the Bank of Spain may be able to cut interest rates earlier than previously supposed.

The consumer price index rose just 0.1 per cent on the month, the same rate as during November, against expectations of a 0.4 per cent rise. This left inflation for the full year running at 5.5 per cent, from 6.5 per cent in 1990. Many analysts had been expecting a year-on-year rate of growth around 5.8 per cent.

As the peseta fell back, so did sterling's floor, and the UK currency closed the day at DM2.8475, from DM2.85 on Tuesday.

The strength of the dollar also hit the Canadian dollar, which was the subject of intervention only last week to cap its rise. The Canadian currency traded down to C$1.1570, from C$1.1470.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 15	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.489	-3.10	5.93	59
Belgian Franc	42.4032	41.9828	-0.99	3.68	41
Dutch Guilder	2.31643	2.29605	-0.88	3.56	36
D-Mark	2.05586	2.03900	-0.82	3.50	43
Irish Punt	0.767417	0.765745	-0.22	2.87	3
Italian Lira	1538.24	1537.12	-0.07	2.73	-4
Danish Krone	7.84195	7.90675	0.80	1.84	-43
French Franc	6.89509	6.95578	0.88	1.76	-57
Sterling	0.696904	0.715377	2.65	0.00	-92

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan 15	Latest	Previous Close
£ Spot	1.7540-1.7550	1.7840-1.7850
1 month	1.00-0.99pm	1.06-1.04pm
3 months	2.86-2.83pm	2.80-2.77pm
12 months	9.35-9.25pm	9.70-9.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

Jan 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7500 - 1.7900	1.7555 - 1.7565	1.00-0.98cpm	6.77	2.82-2.79pm	6.39
Canada	2.0215 - 2.0360	2.0280 - 2.0290	0.63-0.55cpm	3.49	1.79-1.68pm	3.42
Netherlands	3.1810 - 3.2125	3.2025 - 3.2125	¼-⅛cpm	0.94	⅞-¾pm	1.01
Belgium	58.05 - 58.80	58.50 - 58.60	9-4cpm	1.33	21-15pm	1.23
Denmark	11.0090 - 11.0550	11.0350 - 11.0450	⅛-¼orepm	0.48	1⅞-1pm	0.52
Ireland	1.0670 - 1.0710	1.0670 - 1.0680	0.02pm-0.03cdis	-0.06	0.01-0.11dis	-0.22
Germany	2.8420 - 2.8530	2.8450 - 2.8500	⅜-¼pfpm	1.32	⅞-¾pm	1.14
Portugal	244.55 - 246.50	245.30 - 246.30	74-103cdis	-4.32	170-200dis	-3.01
Spain	180.10 - 181.30	180.10 - 180.40	25-31cdis	-1.86	73-84dis	-1.74
Italy	2138.25 - 2152.50	2146.25 - 2147.25	1-3cdis	-1.12	6-9dis	-1.40
Norway	11.1605 - 11.2115	11.1850 - 11.1950	¼pm-¼oredis	-	⅛-⅜dis	-0.13
France	9.6895 - 9.7385	9.7100 - 9.7200	¾-½cpm	0.77	1⅝-1⅜pm	0.62
Sweden	10.3440 - 10.3790	10.3600 - 10.3700	1⅝-2⅛oredis	-2.32	4⅞-5⅝dis	-1.98
Japan	224.95 - 226.35	225.00 - 226.00	1⅛-1ypm	5.65	3-2⅞pm	5.21
Austria	19.96 - 20.07	19.96 - 19.99	2-⅝gropm	0.86	5½-3¼pm	0.88
Switzerland	2.5260 - 2.5375	2.5275 - 2.5375	⅝-½cpm	2.96	1⅞-1⅝pm	2.76
Ecu	1.3925 - 1.3970	1.3960 - 1.3970	0.06-0.01cpm	0.30	0.12-0.05pm	0.24

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.22-5.17cpm. 12 Month 9.45-9.35pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7500 - 1.7900	1.7555 - 1.7565	1.00-0.98cpm	6.77	2.82-2.79pm	6.39
Ireland†	1.6345 - 1.6720	1.6390 - 1.6400	0.93-0.88cpm	6.62	2.62-2.52pm	6.27
Canada	1.1495 - 1.1570	1.1560 - 1.1570	0.30-0.33cdis	-3.27	0.85-0.89dis	-3.01
Netherlands	1.7890 - 1.8320	1.8260 - 1.8270	0.84-0.87cdis	-5.62	2.47-2.51dis	-5.45
Belgium	32.70 - 33.50	33.35 - 33.45	13.00-16.00cdis	-5.21	40-44dis	-5.03
Denmark	6.1625 - 6.3025	6.2850 - 6.2900	3.10-3.40oredis	-6.20	9.05-9.65dis	-5.95
Germany	1.5885 - 1.6280	1.6215 - 1.6225	0.74-0.75pfdis	-5.51	2.16-2.18dis	-5.35
Portugal	139.50 - 140.25	140.15 - 140.25	125-130cdis	-10.85	338-353dis	-9.86
Spain	100.95 - 103.25	102.60 - 102.70	71-75cdis	-8.53	209-217dis	-8.30
Italy	1198.75 - 1226.25	1222.25 - 1222.75	7.90-8.40liredis	-8.00	22.40-23.40dis	-7.49
Norway	6.2500 - 6.3960	6.3700 - 6.3750	3.40-3.70oredis	-6.68	10.15-10.65dis	-6.53
France	5.4200 - 5.5525	5.5300 - 5.5350	2.70-2.75cdis	-5.91	7.83-7.93dis	-5.70
Sweden	5.7865 - 5.9230	5.9000 - 5.9050	4.25-4.50oredis	-8.89	12.05-12.50dis	-8.32
Japan	126.90 - 128.65	128.35 - 128.45	0.12-0.13ydis	-1.17	0.31-0.34dis	-1.01
Austria	11.1890 - 11.4460	11.4175 - 11.4225	5.30-5.75grodis	-5.81	15.70-16.90dis	-5.71
Switzerland	1.4065 - 1.4460	1.4420 - 1.4430	0.42-0.45cdis	-3.62	1.27-1.31dis	-3.58
Ecu	1.2525 - 1.3010	1.2560 - 1.2570	0.70-0.68cpm	6.59	1.99-1.93pm	6.24

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

Jan 15	£	$
Argentina	1.7370 - 1.7400	0.9904 - 0.9914
Australia	2.3710 - 2.3730	1.3485 - 1.3495
Brazil	2046.45 - 2048.10	1166.80 - 1167.00
Finland	7.7285 - 7.7530	4.4040 - 4.4070
Greece	325.550 - 330.250	182.250 - 185.200
Hong Kong	13.6525 - 13.6700	7.7610 - 7.7630
Iran	2558.00*	1420.00*
Korea(Sth)	1352.60 - 1374.40	758.50 - 767.50
Kuwait	0.51800 - 0.51800	0.28800 - 0.28830
Luxembourg	58.50 - 58.60	33.35 - 33.45
Malaysia	4.7700 - 4.7795	2.7160 - 2.7180
Mexico	5279.55 - 5291.35	3062.50 - 3063.50
N.Zealand	3.2630 - 3.2665	1.8535 - 1.8565
Saudi Ar.	6.5890 - 6.6035	3.7495 - 3.7505
Singapore	2.8890 - 2.8970	1.6460 - 1.6480
S.Af (Cm)	4.9495 - 4.9625	2.8190 - 2.8210
S.Af (Fn)	5.8110 - 5.9050	3.2785 - 3.3335
Taiwan	44.35 - 44.45	25.20 - 25.25
U.A.E.	6.4415 - 6.4665	3.6715 - 3.6735

*Floating rate. Correction for Jan 13 Australia $1.3430-1.3440

EXCHANGE CROSS RATES

Jan 15	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.756	2.848	225.5	9.715	2.533	3.208	2147	2.029	58.55	1.397
$	0.569	1	1.622	128.4	5.532	1.442	1.827	1223	1.155	33.34	0.796
DM	0.351	0.617	1	79.18	3.411	0.889	1.126	753.9	0.712	20.56	0.491
YEN	4.435	7.787	12.63	1000	43.08	11.23	14.23	9521	8.998	259.6	6.195
F Fr.	1.029	1.808	2.932	232.1	10.	2.607	3.302	2210	2.089	60.27	1.438
S Fr.	0.395	0.693	1.124	89.02	3.835	1	1.266	847.6	0.801	23.11	0.552
N Fl.	0.312	0.547	0.888	70.29	3.028	0.790	1	669.3	0.632	18.25	0.435
Lira	0.466	0.818	1.327	105.0	4.525	1.180	1.494	1000.	0.945	27.27	0.651
C$	0.493	0.865	1.404	111.1	4.788	1.248	1.581	1058	1	28.86	0.689
B Fr.	1.708	2.999	4.864	385.1	16.59	4.326	5.479	3667	3.465	100.	2.386
Ecu	0.716	1.257	2.039	161.4	6.954	1.813	2.296	1537	1.452	41.91	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	3.08	-	-	0.05	0.16	-
107	2.16	-	-	0.12	0.26	-
108	1.34	2.39	-	0.28	0.46	-
109	0.70	-	-	0.65	-	-
110	0.30	1.15	-	-	1.20	-
111	0.11	0.74	-	-	-	-
112	-	0.44	-	-	-	-
113	-	0.26	-	-	-	-
Open Int.	130,574	20,428	450	98,980	18,380	250

Estimated volume 40,384 Total Open Interest 268,040

FT-SE EUROTRACK 100 INDEX

	Close	High	Low	Prev.
Mar	1140.0			1120.0
Jun				

Estimated volume 0 (0)
Previous day's open int. 137 (137)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7560	1.7461	1.7280	1.7041	1.6620

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Crédit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit. Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates unchanged

UK short money rates eased during the day yesterday and closed little changed as sterling gained ground against a weaker D-Mark on the foreign exchange markets, *writes Simon London*.

The Bank of England forecast a £1.15bn liquidity shortage during early morning, later revised to £1.25bn. The main factors contributing to the squeeze were exchequer transactions totalling £735m and maturing assistance from previous sessions totalling £288m.

In early assistance, the Bank of England relieved some of the pressure, injecting £489m through a small outright piurchase of band 1 bills at 10⅜ per cent and the purchase of £475m paper for resale to the market on February 3 at 10$\frac{7}{16}$ per cent.

Later in the morning a further £150m was purchased for resale on the same date and on the same terms. Afternoon assistance comprised the purchase of £342m band 1 and band 2 bills at 10⅜ per cent.

Late assistance amounted to £290m, bringing the total liquidity injection for the day to £1.27bn.

The unsecured overnight money rate traded mostly at 10⅝ - ⅛ per cent in the morning session, the same as Tuesday's closing level, but traded down to 9 per cent during the afternon as the liquidity injection took effect.

The March short sterling contract on the London International Financial Futures Exchange strengthened through the day, reaching 89.69 by the close, from 89.62 on Tuesday. This level implies base rates of 10.31 per cent by the spring, from a current rate of 10.5 per cent.

In Frankfurt, the Bundesbank relieved pressure for higher money market rates at its repurchase operation. Faced with maturing repurchase pacts totalling DM33.8bn, the Bundesbank injected a total of DM41.1bn.

This comprised DM31.1bn paper for resale in 35 days time at 9.4 per cent and DM10bn for resale in 63 days at the same rate.

However, the net injection of DM7.3bn had only a marginal effect on money market interest rates. Call money traded at around 9.45/55 from 9.55/60 on Tuesday. In Paris, call money rates eased $\frac{1}{16}$ of a point to 9¾ to 9⅞ per cent, encouraged by the strength of the franc against the D-Mark within the European exchange rate mechanism which may give the French authorities more room to lower lending rates.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.15) 3 months US dollars: bid 4¼, offer 4⅜. 6 months US Dollars: bid 4$\frac{5}{16}$, offer 4$\frac{7}{16}$.

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6½	One month	4.34	Three year	5.38
Broker loan rate	6	Two month	3.90	Four year	-
Fed funds	3⅞	Three month	3.94	Five year	6.31
Fed funds at intervention	-	Six month	4.06	Seven year	6.75
		One year	4.17	10-year	7.01
		Two year	5.00	30-year	7.54

Jan.15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.45-9.55	9.40-9.50	9.40-9.50	9.40-9.50	9.35-9.45	9.75
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.60
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	9.18-9.31	9.45-9.52	-	9.43-9.50	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	10.31-.56	10.31-.43	-	10.25-.37	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Jan 15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	10¾	10¾	[illegible]	[illegible]	[illegible]
Interbank Bid	10	10⅝	10⅝	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	10⅝	10⅝	10⅝	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10⅞	[illegible]	-	-	-	-
Company Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	10¼	10	[illegible]	-
Bank Bills (Buy)	-	-	10¼	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.12	4.18	4.20	4.52
SDR Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 10⅛ per cent; three months 9⅞ per cent; six months 9$\frac{13}{16}$ per cent; Bank Bills (sell): one-month 10$\frac{3}{16}$ per cent; three months 10$\frac{1}{16}$ per cent; Treasury Bills: Average tender rate of discount 9.9712 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1991. Agreed rates for period Jan.25, 1991 to February 25, 1992, Scheme I: 11.80 p.c., Schemes II & III 12.06 p.c. Reference rate for period Nov 30, 1991 to December 31, 1991, Scheme IV&V: 10.812 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from January 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent, nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

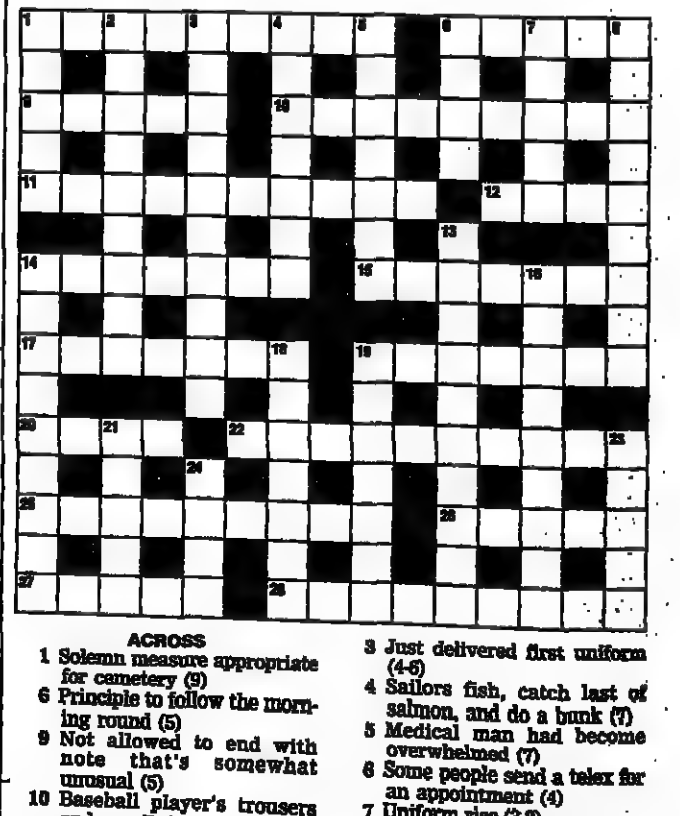
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

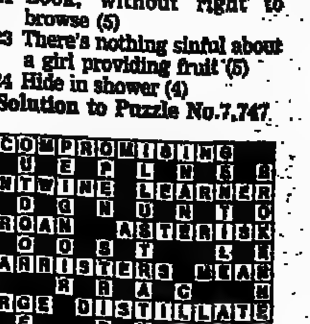
No.7,748 Set by HIGHLANDER



ACROSS
1 Solemn measure appropriate for cemetery (9)
6 Principle to follow the morning round (5)
9 Not allowed to end with note that's somewhat unusual (5)
10 Baseball player's trousers and cap (5-4)
11 Both, under a new order, confined to the planet (10)
12 Argue with principal, supporting member (4)
14 Rejected price at the start: under modification (7)
15 Withdraw from taking a particular kick (4,3)
17 He wears an assortment, but on the other hand (7)
19 Objection not about school pantomime character (7)
20 An excess of gold and grey borders (4)
22 Ship's officer is very good on motor journey (10)
25 Resort worked out the preparation required (9)
26 Revolting people once in charge of English in retreats (5)
27 People were sitting outside covered in perspiration (5)
28 Advance warning directed at estate is improperly presented (9)

DOWN
1 Fumble for thicker version of G-string? (6)
2 Writer drops Henry off on eastern motorway (9)
3 Just delivered first uniform (4-6)
4 Sailors fish, catch last of salmon, and do a bunk (7)
5 Medical man had become overwhelmed (7)
6 Some people send a telex for an appointment (4)
7 Uniform rise (3,2)
8 Broken up as a part for collection of equipment (9)
13 Rider has a job writing (10)
14 Got a load of hays, perhaps useful for cutting timber (9)
16 Old roses running wild, you said, inside, are without fragrance (9)
18 Close gets cricket side to stop the flow (4,3)
19 Wave to a smasher (7)
21 Look, without right to browse (5)
23 There's nothing sinful about a girl providing fruit (5)
24 Hide in shower (4)

Solution to Puzzle No.7,747



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices January 15

MONTREAL

3:00 pm prices January 15

INDICES

NEW YORK

DOW JONES	Jan 14	Jan 13	Jan 10	Jan 9	1991/92 HIGH	1991/92 LOW	Since compilation HIGH	Since compilation LOW
¶Industrials	3246.20	3185.60	3199.46	3209.53	3246.20 (14/1/92)	2470.30 (9/1/91)	3246.20 (14/1/92)	41.22 (2/7/32)
Home Bonds	99.27	99.33	99.34	99.47	99.47 (9/1/92)	91.30 (16/1/91)	99.47 (9/1/92)	54.99 (1/10/81)
Transport.	1387.33	1364.16	1351.83	1367.53	1387.33 (14/1/92)	896.30 (7/1/91)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.32	213.51	216.07	218.09	225.59 (3/1/92)	195.17 (10/7/91)	236.23 (2/1/90)	10.50 (8/4/32)

¶Day's High 3255.81 (3215.56) Low 3167.93 (3161.67)

STANDARD AND POOR'S	Jan 14	Jan 13	Jan 10	Jan 9	1991/92 HIGH	1991/92 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	420.44	414.34	415.10	417.61	420.44 (14/1/92)	311.49 (9/1/91)	420.44 (14/1/92)	4.40 (1/6/32)
Industrials	498.70	491.69	492.20	494.52	498.70 (14/1/92)	364.90 (9/1/91)	498.70 (14/1/92)	3.62 (21/6/32)
Financial	34.05	34.03	34.11	34.45	34.85 (14/1/92)	21.96 (9/1/91)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	231.57	228.47	228.94	230.23	231.57 (14/1/92)	170.97 (9/1/91)	231.57 (14/1/92)	4.46 (25/4/42)
Amex Mkt. Value	412.63	407.89	405.64	407.57	412.63 (14/1/92)	296.72 (14/1/91)	412.63 (14/1/92)	29.31 (9/12/72)
NASDAQ Composite	625.75	617.63	615.70	619.00	625.75 (14/1/92)	355.75 (14/1/91)	625.75 (14/1/92)	54.87 (31/10/72)

	Jan 10	Jan 3	Dec 27	year ago (approx.)
Dow Industrial Div. Yield	2.89	2.90	2.99	4.13
	Jan 8	Dec 31	Dec 24	year ago (approx.)
S & P Industrial div. yield	2.54	2.56	2.68	3.31
S & P Indl. P/E ratio	25.51	25.35	24.21	15.92

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Citicorp	6,258,900	13⅝	+ 1⅛
Ames Store	4,604,300	⅛	- ⅛
RJ Nabisco	4,480,000	11⅛	+ ⅛
Corning	3,429,500	40⅞	+ ⅛
Am Express	3,390,700	23	+ 1⅛
Glaxo	3,097,700	34	+ ⅛
Ford Motor	2,108,400	31⅛	+ ⅛
Comp Assoc	2,068,300	12	+ ⅛
Boeing	2,005,400	50⅛	+ 1⅞
Gen Motors	2,003,900	32	+ 1

TRADING ACTIVITY

† Volume (Millions)	Jan 14	Jan 13	Jan 10
New York SE	260.489	195.751	236.060
Amex	27.905	19.603	18.745
NASDAQ	268.058	211.905	299.430
NYSE			
Issues Traded	2,206	2,204	2,208
Rises	1,259	789	659
Falls	512	966	1,082
Unchanged	435	449	467
New Highs	183	93	127
New Lows	7	15	16

CANADA

TORONTO	Jan 14	Jan 13	Jan 10	Jan 9	1991/92 HIGH	1991/92 LOW
Metals & Minerals	3039.41	2972.56	2975.04	2998.40	3299.99 (18/7/91)	2632.06 (9/1/91)
Composite	3635.00	3594.40	3593.40	3580.60	3635.00 (14/1/92)	3161.95 (15/1/91)
MONTREAL Portfolio	1924.41	1903.86	1904.25	1903.47	1924.41 (14/1/92)	1686.89 (9/1/91)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

3:00 pm prices January 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	3.4	15	355	13⅞	13⅝	13⅞	+⅛
24⅞	14½	A L Labs A	0.16	0.6	27	820	u24⅞	24⅜	24⅞	-⅛
60	40⅞	AMP Inc	1.44	2.2	25	3783	u63⅞	63	63¼	+⅞
71	44¼	AMR				145654	u74⅞	73¼	74½	+2⅞
2⅞	1	ARX			1	195	1⅝	1½	1⅝	+⅛
58	41½	ASA	3.00	5.9	14	661	51	50⅞	50½	+½
69½	39¼	Abbott Lab x	1.00	1.8	25	1000	65¾	63¼	63⅞	-1½
14⅝	9⅞	Abitibi Pr x	0.50	3.9	17	40	12⅞	12¾	12⅞	+¼
11⅞	10⅜	ACM Gvt In x	1.28	11.2		364	11⅝	11¼	11¼	
9⅞	8⅜	ACM GvOpp	1.01	10.2		172	u9⅞	9⅞	9⅞	-⅛
9½	8¼	ACM Gvt Sp	0.17	1.8		333	9⅝	9½	9⅝	+⅛
11	9⅞	ACM Gvt Se	1.28	11.8		713	10⅞	10⅜	10⅞	
9⅛	7⅝	ACM Man x	0.47	5.2		147	9	9	9	
12⅞	11½	ACM Managd	1.35	10.6		120	u12⅞	12⅝	12⅞	
7½	4⅞	Acme Cleve	0.40	5.3	17	74	u7⅝	7⅜	7½	-⅛
8	3⅞	Acme Elect			3	89	5	4⅞	4⅞	
40	22⅞	Acuson			21	1287	33¼	32⅞	32⅞	-⅛
20¼	14¼	Adams Exp x	0.46	2.5	0	139	19¼	19⅛	19¼	+⅛
20⅛	12⅞	Adobe12Pf	2.40	16.6		42	14½	14⅜	14½	
9¼	3⅞	Adobe Res			46	451	6	6	6	
43	18	Ad Micro				120	u46⅛	46	46⅛	+⅛
17⅞	4⅝	Ad Micro P	3.00	15.1		199550	u20⅛	19⅞	19⅞	-⅛
5⅛	2¼	Advest Grp	0.16	2.4	9	100	u6⅞	6½	6⅝	-⅛
49⅛	31⅞	Aetna Lf x	2.76	6.2	8	1650	45⅛	44¾	44⅞	-⅜
10⅝	6⅝	AIIR A x	0.24	2.5	87	2151	9⅝	9⅝	9⅝	+¼
0	0	Aflac				735	u31½	31	31¼	-⅛
20⅞	12	Ahmanson	0.88	5.4	10	2117	16⅛	15⅞	16⅛	+⅛
20	2⅞	Aileen Inc			16	203	19⅞	19¼	19¼	-⅛
74⅛	61⅛	Air Pr Chm	1.88	2.0	17	721	u79½	78⅞	79⅛	-⅛
30	18⅝	Airbrne Frt	0.30	1.2	18	1123	24⅞	24⅜	24⅝	+⅛
24½	12½	Airgas Inc			113	120	24⅛	23⅞	23⅞	-⅛
16⅛	9	Airlease	1.68	17.2	6	62	9⅞	9⅝	9⅝	-⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- S -

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1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Prev. Close	Ch'ge
69¾	35¼	Xerox	3.00	4.2		124609	u71¼	70	71		+1¼
52¼	43⅛	Xerox4.125				3	u53	52	53		+1
25¼	14¼	Xtra 1.94				289	u25¾	25½	25¾		+¼
29¾	14¼	Xtra Corp	0.72	2.3	15	222	u31	30	30⅝		+⅝
27⅞	21⅛	Yankee Egy	1.80	6.2	12	35	29¼	28¾	29⅞		−⅛
1½	⅝	Zapata			74	800	1⅝	1½	⅝		
9⅝	5⅛	ZenithElec			2	894	8	7⅝	7⅞		−¼
16½	12	Zenith Nat x	1.00	6.2	134	19	16¼	16	16¼		+¼
8⅝	4½	Zenix Inc x	0.84	12.7		236	u6⅝	6½	6⅝		
16⅛	10	Zero Corp	0.40	3.6	16	2195	11⅝	11⅛	11½		+¼
41⅞	29½	Zurn Ind	0.88	2.4	15	713	37⅛	36¾	37		−⅛
13⅞	10⅛	Zweig Fund x	1.16	8.4		368	u14	13⅞	13⅞		−⅛
10⅝	8½	Zweig Totl x	0.96	8.8		414	u10⅞	10¾	10⅞		

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows currently reflect the whole of 1991: highs and lows for 1992 will be shown with effect from tomorrow's edition. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices January 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oild Corp	0.14	8	814	8½	8⅜	8½	+⅛
Pall Corp	0.30	33	1404	u30½	29½	30¼	+⅝
Pegasus G	0.10	8	718	13	12¾	12¾	+⅛
Perini		8	35	13¼	13⅛	13⅛	+⅛
Pet HM&P	0.31	7	5	11	10⅝	10⅝	−⅛
Phil LD	0.18	15	648	u37⅝	36⅞	37	−⅝
Pitney A	1.10	11	132	27¼	26½	26⅝	−⅛

NASDAQ NATIONAL MARKET

3:00 pm prices January 15

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	17185	29⅛	26¾	27⅛	−2½
Xoma Corp		12	3297	23⅛	22	22¼	−⅝
Yellow Fr	0.94	20	1324	27⅞	27⅛	27½	−⅛
York Rsch		60	1788	7⅝	7⅛	7⅛	−⅛
ZionsUtah	1.44	8	50	42½	40¾	41⅞	+⅞

FINANCIAL TIMES Thursday January 16 1992

AMERICA

Equities pause but turnover remains heavy

Wall Street

AFTER Tuesday's sharp gains, US stock markets paused for breath yesterday morning, although steady demand from individual investors ensured that the underlying tone remained positive, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 3.35 at 3,249.55. The more broadly based Standard & Poor's 500 index was slightly lower at midsession, slipping 0.42 to 420.02, while the Nasdaq composite of over-the-counter stocks added 3.30 at 629.05. Turnover on the New York Stock Exchange was heavy at 189m shares by 1 pm.

One of the key influences behind Tuesday's 60-point rally was the rush of individual investor money out of maturing certificates of deposit and equally low-yielding money market funds and into equities, which in the current low interest rate environment appear attractive compared to many other assets.

Another feature of recent trading has been the sight of investors switching out of certain sectors in the market and into others, searching for the sector that will outperform the market.

A notable victim of this intra-market trading yesterday was the drugs sector, which lost ground amid concerted selling. Leading the way down was Merck, $2⅝ lower at $157⅛, Pfizer, $3⅛ weaker at $80⅝, Glaxo, down $⅞ at $33, Schering-Plough, down $2¼ at $65½, and Bristol Myers-Squibb, $1⅛ lower at $84⅝.

Airline stocks appeared to have benefited from selling in other areas of the market. AMR, parent group of American Airlines, rose $2⅞ to $74¾, despite reporting a fourth quarter net loss of $125m after a $59.6m charge to cover write-down of aircraft values.

Among other airlines, UAL rose $4⅜ to $156¾, USAir added $1⅜ at $16¼, and Delta rose $3⅛ to $73⅝. The sector may have been helped by positive comments from AMR's senior management about the outlook for pricing in the industry.

IBM rose $1⅞ to $94¼ on reports that Mr Donald Young, an analyst at Shearson Lehman, had told his firm's sales force that the computer giant could produce a pleasant surprise in its fourth quarter earnings report tomorrow.

Citicorp continued to race ahead, adding another $2 at $15 in turnover of almost 6m shares. The stock has been in great demand this week, and yesterday it received a further boost when Goldman Sachs upgraded its investment opinion of Citicorp and put the bank on its recommended list. In the same sector, Bank of Boston rose $⅞ to $14¼ on the news that its merger talks with rival New England banking group Shawmut National had been terminated. Shawmut rose $1⅛ to $11⅛.

Canada

TORONTO retreated from early highs after testing resistance near 3,660, but remained firm in active midday trading. The TSE 300 composite index rose 11.8 to 3,646.8, off a high of 3,657.5. Advancing issues led declines by 249 to 170 in volume of 21.3m shares valued at C$221.87m.

Nova topped the most active list. Its shares fell C$⅛ to C$7½ in volume of 1.28m after it said that it had sold 35m shares at C$7.15 each, to raise C$240m in order to cut its debt.

Laidlaw jumped C$⅜ to C$12¼ in heavy trade, continuing its recovery from a low of C$8¾ a few months ago.

Imperial Oil, which rose C$1 to C$39⅝, led gains among oil and gas shares as oil futures firmed in midday trade.

SOUTH AFRICA

STRENGTH on Wall Street and London spurred Johannesburg to fresh peaks. The overall index rose above 3,700 for the first time to close at a record 3,713, up 69, while the industrial index rose 80 to a record 4,535. Golds rose 46 to 1,298.

EUROPE

Continent rises across the board on Dow's advance

WALL Street's record high on Tuesday, and a varying weight of local influences were advanced as reasons why bourses climbed yesterday, *writes Our Markets Staff.*

FRANKFURT found strong domestic reasons for its gains which were considerable, the DAX index accelerating to a 38.97, or 2.4 per cent rise to 1,667.50 after the FAZ put on 14.15, or 2.1 per cent to 672.67 at midsession.

Mr Jens Wiecking, for Merck Finck in Düsseldorf, said that German equities were a special situation, having underperformed the world for nearly two years during which foreigners had been selling the market, on balance.

This year's recovery, he said, was built on the anticipation of the Bundesbank easing its monetary policies and a subsequent bull market. It started with the Anglo Saxons but continental investors followed yesterday, boosting German market volume from DM6.4bn to DM12bn on one estimate.

Meanwhile, the focus on individual sectors shifted again. Banks, after a period of relative strength, were quiet despite a further drop in the Bundesbank's average bond yield from 8.18 to 8.15 per cent.

In conventional cyclicals the big blue chip carmakers, which had taken over from the banking sector, were outshone by chemicals, where Hoechst put on another DM13.30 to DM248.80; and among bombed out stocks the construction group, Philipp Holzmann, closed DM68 higher at DM1,138.

PARIS rose to its highest level since last October as Wall Street's record rise overnight prompted domestic institutions to go on a buying spree. The CAC 40 closed 29.82 or 1.6 per cent higher at 1,873.62, off the day's high of 1,884.6, in heavy turnover of FFr3.9bn after Tuesday's FFr2.5bn.

Gains were across the board. Peugeot jumped FFr26 to FFr700 after positive comments from its chairman on the previous day. In the oil sector, Total added FFr34 to FFr1,088 on its optimism about its Colombian oil find, and Elf gained FFr5.90 to FFr371.20.

Among smaller stocks, Canal Plus rose FFr22 to FFr1,050 in relatively good volume of 117,575 shares.

ZURICH offered easing Swiss interest rates and the firm dollar in addition to the Dow as justification for the Crédit Suisse index advance of 1.5 per cent or 6.9 to 470.7.

Nestlé bearers, SFr210 higher at SFr9,140, topped the active list after Tuesday's news that the company might be considering a ten-for-one stock split. Banks were led higher by CS Holding which added SFr65 to SFr1,925; in chemicals, Sandoz registered rose SFr60 to SFr2,640; and in insurers, lifted by interest rate hopes, Winterthur bearers put on SFr160 to SFr3,840.

BRUSSELS was also lifted by Wall Street. The Bel20 index closed 34.35 or 3.1 per cent higher at 1,149.21 in unusually heavy turnover of BFr1.95bn. Generale Bank was the most active stock, rising 2.6 per cent to FFr6,360 with 45,600 shares traded.

MILAN saw some domestic sellers at the start but then there was a scramble to buy as other European bourses continued to rise. The Comit index rose 9.55 to 547.46 in turnover estimated at slightly better than Tuesday's L125bn.

Stocks due to be transfered to screen-based trading today, the start of the new trading account, were strong. Benetton rose L480 or 4.2 per cent to L12,000, Sip added L48 to L1,538, Italgas put on L85 to L3,580, Italcementi rose L395 to L21,600, and the transport company, Gottardo Ruffoni, climbed L85 to L2,340.

Pirelli continued to rise ahead of its capital increase, putting on L43 or 3.9 per cent to L1,128. The stock reached L1,170 after hours.

MADRID's general index rose 5.19, or 2 per cent to 258.50, impressed by the drop in consumer price inflation from 6.5 per cent to 5.5 per cent in the year to December, 1991.

AMSTERDAM closed higher in active trading. The CBS Tendency Index rose 2.3 or 1.9 per cent to 120.3 in turnover swollen by Friday's expiration on the European Options Exchange.

STOCKHOLM made gains in heavy trading, encouraged by overseas strength and falling domestic interest rates. The Affärsvärlden General index rose 16.1 or 1.7 per cent to 974.7 in volume of SKr728m after SKr417m.

Astra continued to dominate trading, as turnover in its shares tripled to SKr191m from SKr60m. Astra A rose SKr18 to SKr538.

OSLO jumped 2.1 per cent, the all-share index ending 9.38 higher at 452.46 in active turnover of about NKr460m. Industrial stocks led the rally. Norsk Hydro, following a period of relative weakness, rose NKr6 to NKr145.

COPENHAGEN finished off its best as the CSE index closed 3.01 higher at 365.29. **HELSINKI**'s Hex index put on another 15.92, or 1.8 per cent to 877.12 but free shares did better with a 2.5 per cent gain.

VIENNA surged in lively business to a six-week high on hopes that German interest rates have peaked. The ATX index rose 24.58 or 2.6 per cent to 962.23, its highest close since December 4.

FT-SE Eurotrack 100 - Jan 15

Hourly changes

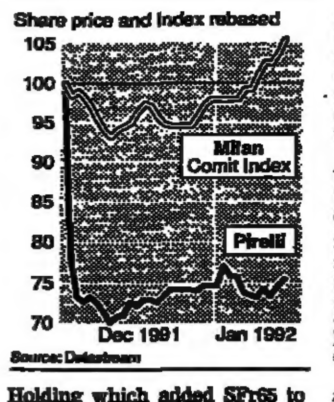
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1138.22	1136.05	1138.14	1141.22	1141.28	1140.11	1140.90	1140.52

Day's High 1143.22 Day's Low 1133.68

Jan 14	Jan 13	Jan 10	Jan 9	Jan 8
1112.87	1105.02	1105.40	1100.02	1080.21

Base value 1000 (26/10/90).

Share price and index rebased



Source: Datastream

Italy and Germany lead the volume declines in 1991

William Cochrane reviews last year's European trading, which petered out after an exciting first half

Convergence may be a pattern to look forward to on European bourses, according to some theorists, but the main similarity in their trading statistics in 1990 and 1991 was that each year enjoyed an exciting first six months, followed by an increasingly morose second half.

History can be blamed for that. The year before last started in a fever of excitement over German reunification, and palled in a nervous autumn after the Iraqi invasion of Kuwait. Last year built up rapidly from the outbreak of the Gulf war on January 17 and fell away later, dramatically in some cases, as the growth rate in Germany began to slow down and recessionary clouds started to gather elsewhere.

Mr James Cornish of County NatWest, which produces the figures, has provided monthly averages for 1990 and 1991 which show severe falls in trading levels in Germany, Italy and Switzerland; marginal declines in three more, Belgium, France and the Netherlands; and useful gains for Spain and the UK.

Germany dropped 22.5 per cent to a 1991 monthly average of DM104.8bn, falling from a high in July and, more worryingly, by nearly 28 per cent to DM66bn in December, its lowest since March 1989.

Part of December's problem, says Mr Cornish, was an exaggerated Christmas effect, traders and investors using the approaching holiday as an excuse to do nothing while the domestic economy suffered in the aftermath of the reunification boom, wage demands mounted and the Bundesbank eventually bumped up interest rates on December 19.

While German share prices rose in late-December, lifted by the record-breaking climb on Wall Street, the real recovery in volume was delayed until this week as strategists decided that wage rises were going to be constrained in 1992 and that European interest rates, as a result, were likely to ease this summer.

Italy was even more severely depressed last year, the monthly average dropping by 37 per cent year to year, and running latterly at less than one-tenth of the daily peaks of L700bn to L800bn which it reached in 1986.

The Milan equity market has had little to cling to in the face of sick national and corporate economies, the latter reflecting poor to near-disastrous performances by Italy's big industrial blue chips such as Fiat, Pirelli and Olivetti. The succession of stockbroker bankruptcies, which disrupted the running of the equity market, were an almost continuous drain on sentiment.

Switzerland's monthly average fell by 18.6 per cent to SFr11.8bn. Here, says Mr Cornish, the economy was a mix of high inflation and almost nil growth with very low unemployment, making it hard for the national government to take any initiative but to defend the Swiss franc by keeping interest rates high.

In the middle, France recovered in rising volume towards the end of December. For a long time, people have been saying that it is a cheap market, looking at domestic political worries but also at a prospective 12 per cent earnings per share growth this year. Mr Cornish thinks it "the most attractive market in Europe".

As for the two 1991 winners, the UK, for a lot of the year, reflected the belief in an "Anglo" economic recovery, the theory which expected both the US and UK economies to pick up. In that context, British equities attracted both domestic and quite a lot of international investment; the market was on a 5 per cent dividend yield and this, historically, seems to have been a good anchor for equity levels.

Spain, in December, repeated what it did in 1990. Fund managers seemed to be buying blue chips to dress up their portfolios for the year-end; however, it did appear that there was a genuine surge of investment interest in Madrid in the second half of December, as ordinary investors came bargain hunting after a steep fall in share prices, in low volume, early in the month.

EUROPEAN VOLUME FIGURES

Monthly total in local currencies

Bourse	Jan '91	Feb '91	Mar '91	Apr '91	May '91	Jun '91	Jul '91	Aug '91	Sep '91	Oct '91	Nov '91	Dec '91
Belgium BFr bn	21.6	41.5	46.5	45.5	39.2	40.7	34.6	32.1	30.7	37.2	35.6	32.3
France FFr bn	79.0	106.8	110.4	110.0	89.0	115.8	101.9	90.8	102.6	110.9	102.0	111.0
Germany DM bn	81.4	120.9	122.9	125.8	120.9	142.4	110.0	103.7	80.4	88.4	91.5	66.0
Italy L bn	8,872.4	15,592	15,080	12,316	13,852	14,746	8,733.6	7,712.0	6,428.0	7,530.8	7,105.4	6,342.3
Netherlands Fl bn	11.0	13.9	16.3	14.2	12.3	10.4	10.8	11.7	10.0	11.2	12.0	9.81
Spain Pta bn	498.5	742.6	803.6	651.5	716.0	636.1	630.9	565.0	476.0	516.1	529.3	671.36
Switz SFr bn	12.0	14.2	13.9	14.8	12.3	12.5	9.42	10.4	9.10	9.30	10.5	7.70
UK £ bn	24.5	31.9	36.8	31.5	28.4	26.7	32.1	30.8	32.0	32.2	29.4	26.4

Volumes represent purchases and sales. Swiss data estimated. Italian data adjusted to include off-market trading. Some figures may be revised. *Source: County NatWest WoodMac*

ASIA PACIFIC

Hong Kong reaches another record high

WALL STREET'S record close overnight encouraged the Pacific Rim markets, in the absence of Tokyo which was closed for a holiday yesterday.

HONG KONG finished at its second successive record high, though well off the day's best due to profit-taking. The Hang Seng index climbed to 4,420.07 before ending a net 15.05 up at 4,382.66 after turnover of HK$1.76bn, against HK$1.68bn.

In a buoyant property sector, Cheung Kong rose 20 cents to HK$19.40 and Hongkong Land edged up 10 cents to HK$9.30.

SEOUL fell back as worries over financial constraints, falling customer deposits and a full-scale labour dispute at Hyundai Motor continued to put pressure on the market. The composite index dipped 11.49 to 604.63 in turnover of Won231.1bn, after Won217.2bn.

Hyundai Motor fell by its daily limit of Won1,000 to Won23,800 following news late on Tuesday that employees of Hyundai Motor had voted to strike.

AUSTRALIA followed Wall Street as the All Ordinaries index moved ahead 23.8 or 1.4 per cent to 1,675.6 in turnover of A$230m, up from A$199m.

Currency considerations supported the natural resources sector, as BHP jumped 32 cents to A$13.90 and Western Mining gained 20 cents to A$4.95.

The banking sector was firm in spite of news that the International Banking Credit Analysis agency had downgraded Westpac's long-term debt rating and put ANZ's long-term debt on watch. Westpac and ANZ each rose 6 cents to A$4.36 and A$4.81 respectively.

TAIWAN underwent a technical correction in the wake of its 7.6 per cent rise since the start of the year. The weighted index lost 8.09 to 4,939.07 in turnover of T$48.71bn, after T$45.27bn. Dealers said more profit-taking was likely if the index went through 5,000.

NEW ZEALAND gained ground on better than expected domestic inflation news. Annual inflation in 1991 fell to a 31-year low of 1.0 per cent. The NZSE-40 index closed 25.38 or 1.7 per cent higher at 1,503.70 in turnover of NZ$29.8m, against NZ$31.0m.

Trading was boosted by some block sales, including 5m shares in Brierley Investments which changed hands at NZ$1.06. The stock closed a cent higher at NZ$1.06. Fletcher Challenge firmed 10 cents to NZ$3.40, Carter Harvey Holt 8 cents to NZ$2.26 and Lion 3 cents to NZ$3.93.

MANILA responded to Wall Street's strength. The composite index advanced 23.84 to 1,260.50 as turnover rose to 132m pesos from 122m.

The telephone blue chip PLDT led the market upwards with a 30-peso gain at 970 pesos, in the wake of its overnight rise in New York. Food and beer company San Miguel saw its class "A" shares close a peso higher at 74.50 pesos.

Oil shares continued to fall on profit-taking after their surge on Monday on news that recoverable reserves at the Linapacan A-2 oil field in southwestern Philippines could hit 200m barrels.

SINGAPORE strengthened on news that the government-controlled DBS Bank had lowered its interest rates and by assurances that limits on foreign ownership of companies would not be lifted. The Straits Times Industrial index ended 20.71 or 1.4 per cent higher at 1,509.30 in turnover of S$235.47m, up from S$110.3m.

KUALA LUMPUR's composite index climbed 5.65 to 552.28 in volume of M$92m (M$57.9m). Leading the gainers was Genting, which firmed 50 cents to M$12.10. Resorts World advanced 40 cents to M$10.50 and Malaysian International Shipping foreign shares appreciated 35 cents to M$8.00.

BANGKOK finished firmer across the board following gains in foreign stock markets. The SET index closed 10.89 stronger at 742.99 after turnover of Bt5.76bn, the heaviest in two months. Siam Cement gained Bt12 to Bt656, Siam City Cement Bt2 to Bt140 and Jalaprathan Cement Bt12 to Bt690. Bangkok Bank was unchanged at Bt538.

JAKARTA closed lower, with the official index down 1.27 at 250.14. Trading was slow and turnover contracted to 2.97m shares, from nearly 4m the day before. Astra International came under strong selling pressure and fell 200 rupiah to 11,300 rupiah.

BOMBAY soared to a record closing high for the second time this week on speculative buying fuelled by an amnesty on repatriating foreign funds. The BSE index added 22.11 or 1.1 per cent at 2,020.18.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 14 1992								MONDAY JANUARY 13 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	147.77	−0.4	122.29	118.44	122.19	131.79	−0.5	4.20	148.31	121.95	118.87	121.25	132.52	160.31	112.74	112.90
Austria (20)	167.47	+0.7	138.59	134.23	138.48	136.65	+0.3	2.11	166.33	136.77	133.32	135.98	136.27	222.37	153.86	167.00
Belgium (47)	140.29	+0.0	116.10	112.44	116.01	112.27	+0.0	5.28	140.29	115.36	112.44	114.69	112.27	151.20	118.04	122.10
Canada (115)	140.84	+1.2	116.56	112.88	116.46	117.13	+1.2	3.15	139.13	114.41	111.51	113.74	115.76	144.28	126.49	127.29
Denmark (37)	269.67	+0.6	223.17	216.15	222.99	223.36	+0.3	1.60	268.11	220.47	214.90	219.19	222.80	273.94	217.74	219.69
Finland (15)	85.93	+1.6	71.11	68.88	71.05	77.13	+1.1	3.16	84.61	69.58	67.82	69.17	76.26	125.15	73.32	91.28
France (109)	149.43	−0.1	123.67	119.77	123.56	127.17	+1.0	3.48	149.55	122.97	119.86	122.25	125.91	152.33	119.11	122.64
Germany (65)	115.28	−1.2	95.40	92.41	95.32	95.32	+0.0	2.42	116.62	95.90	93.49	95.34	95.34	125.35	94.15	102.43
Hong Kong (55)	179.70	+1.0	148.71	144.03	148.60	179.01	+1.0	4.16	177.91	146.29	142.60	145.45	177.25	179.70	119.62	120.56
Ireland (18)	165.06	−0.7	136.60	132.30	136.48	138.56	+0.2	3.62	166.24	136.70	133.25	135.91	138.28	182.46	132.88	134.09
Italy (77)	77.52	+0.6	64.15	62.13	64.10	69.36	+1.5	3.34	77.03	63.34	61.74	62.97	68.30	88.23	64.76	72.31
Japan (474)	126.46	+0.5	104.66	101.36	104.58	101.36	+0.5	0.84	125.89	103.52	100.90	102.93	100.90	148.97	118.23	122.69
Malaysia (68)	213.00	+0.2	176.27	170.72	176.13	221.90	−0.1	2.95	212.49	174.73	170.31	173.72	222.19	247.78	189.18	195.19
Mexico (18)	1471.54	+0.8	1217.80	1179.47	1216.81	4931.70	+0.7	1.06	1460.29	1200.78	1170.46	1193.84	4895.98	1471.54	534.45	537.18
Netherland (31)	150.00	−0.1	124.14	120.23	124.04	122.55	+0.9	4.41	150.14	123.46	120.34	122.75	121.43	155.45	125.70	126.30
New Zealand (14)	46.05	−1.0	38.11	36.91	38.08	44.95	−1.0	8.11	46.53	38.26	37.29	38.04	45.38	54.64	41.18	41.18
Norway (25)	183.65	+1.9	151.98	147.20	151.86	154.11	+1.6	1.88	180.31	148.27	144.52	147.41	151.74	223.24	157.08	182.24
Singapore (38)	216.60	+0.3	179.25	173.61	179.10	163.05	+0.1	2.14	215.88	177.51	173.03	176.49	162.85	223.53	151.63	154.37
South Africa (61)	259.74	−0.6	214.96	208.19	214.78	183.74	+0.1	2.68	261.25	214.82	209.39	213.58	183.61	271.99	173.00	182.03
Spain (52)	155.43	+0.3	128.63	124.56	128.52	118.51	+0.5	4.65	154.99	127.45	124.23	126.71	117.89	171.12	131.51	131.78
Sweden (25)	180.24	−0.7	149.16	144.47	149.05	154.23	−0.1	2.89	181.53	149.27	145.50	148.41	154.32	204.12	145.60	148.15
Switzerland (59)	100.70	−0.1	83.34	80.72	83.28	88.12	+0.7	2.26	100.82	82.90	80.81	82.43	87.47	103.50	82.17	82.78
United Kingdom (234)	179.18	+0.4	148.28	143.60	148.15	148.28	+1.0	5.02	178.52	146.79	143.07	145.93	146.79	187.44	156.27	157.58
USA (523)	171.52	+1.4	141.95	137.49	141.84	171.52	+1.4	2.84	169.17	139.11	135.60	138.31	169.17	171.52	125.95	126.79
Europe (814)	145.08	+0.0	120.06	116.29	119.97	120.52	+0.8	3.99	145.04	119.27	116.26	118.58	119.58	151.52	125.50	126.05
Nordic (102)	185.24	+0.2	153.30	148.46	153.18	150.31	+0.3	2.15	184.79	151.95	148.11	151.07	149.86	200.81	155.55	155.75
Pacific Basin (718)	128.56	+0.4	106.39	103.05	106.31	104.43	+0.4	1.17	128.01	105.26	102.61	104.66	103.99	145.92	117.88	121.90
Euro−Pacific (1532)	135.46	+0.3	112.11	108.57	112.01	111.58	+0.6	2.38	135.12	111.11	108.29	110.46	110.95	147.66	121.29	123.91
North America (638)	169.56	+1.4	140.32	135.92	140.23	167.82	+1.4	2.85	167.25	137.53	134.07	136.76	165.53	169.56	125.91	126.73
Europe Ex. UK (580)	124.38	−0.2	102.93	99.71	102.87	104.44	+0.6	3.25	124.66	102.51	99.94	101.94	103.80	129.80	103.58	105.99
Pacific Ex. Japan (244)	149.31	+0.2	123.57	119.70	123.48	134.83	+0.1	3.94	149.00	122.52	119.45	121.83	134.73	153.19	111.40	111.98
World Ex. US (1726)	137.83	+0.3	114.06	110.48	113.98	113.72	+0.6	2.40	137.45	113.03	110.18	112.38	113.06	148.16	122.32	124.83
World Ex. UK (2015)	145.19	+0.7	120.15	116.38	120.07	129.81	+0.9	2.29	144.12	118.51	115.52	117.83	128.68	150.58	120.06	121.29
World Ex. So. Af. (2188)	147.42	+0.7	122.00	118.17	121.91	131.11	+0.9	2.57	146.36	120.35	117.32	119.66	129.93	153.05	122.92	124.16
World Ex. Japan (1775)	161.02	+0.8	133.25	129.07	133.16	148.74	+1.1	3.28	159.72	131.34	128.03	130.60	147.16	161.90	126.69	126.69
The World Index (2249)	148.16	+0.7	122.61	118.76	122.52	131.58	+0.9	2.57	147.12	120.97	117.92	120.28	130.41	153.70	123.28	124.51

Belgian prices were unavailable for January 14. Latest prices were unavailable for this edition.

BUSINESS LAW

Programmes to keep trade fair

By Clive Davies

The failure in recent years of the centrally planned economies of central and eastern Europe to fulfil the expectations of their peoples, and the re-emergence of societies based on free competition, support Thomas Jefferson's philosophy that free trade is the foundation of commerce.

The law in a number of countries attempts by regulation to preserve fair competition and thus enforce this underlying principle of free trade. While there may be some paradox in regulating for freedom, these laws have a practical impact on most businesses operating within their jurisdictions.

The laws can be traced back in many cases to the English common law doctrine that contracts "in restraint of trade" are against the public interest.

American antitrust law developed this original concept when the so-called "trust busters" in the early part of this century broke up huge business conglomerates such as Rockefeller's Standard Oil because they were perceived to be strangling commerce by their widespread interests.

English legislation after the Second World War regulated monopolies, restrictive trade practices, resale price maintenance and anti-competitive practices.

The European Community (EC) has competition law rules aimed at prohibiting agreements or concerted practices which prevent, restrict or distort competition and the abuse of dominant positions which could threaten the creation of a single European market.

The EC legislation is enforced by the European Commission and cases can be brought before the Court of Justice in Luxembourg or, more precisely, before the Court of First Instance, which took over jurisdiction for all competition cases from the senior court in September 1989.

The Commission can fine offenders up to 10 per cent of their worldwide annual turnover for breaches of the competition rules in articles 85 and 86 of the Treaty of Rome. In December 1990 it fined ICI and Solvay more than £33m for operating a cartel in soda ash, a key ingredient of glass, and in July this year it fined Tetra Pak, the Swiss liquid packaging group, £52m for abuse of a dominant position.

American companies have been exposed for a longer period of time to potential investigations by the Federal Trade Commission or the Department of Justice, with the possibility of treble damages being awarded in the courts, and have consequently taken competition law compliance seriously for many years.

As part of ensuring compliance within their organisations, and also minimising the consequences if they do infringe any of the antitrust laws, many US companies operate effective antitrust compliance programmes.

In Europe such programmes seem to be a rarity, even among large companies trading internationally which, it would be reasonable to assume, would be at some risk if they were in breach of the law.

The advantages afforded by an effective competition compliance programme should have been clear to European companies for some time. As long ago as 1982, in a case involving National Panasonic, the European Commission made its views on the subject abundantly clear:

"Regard must however also be taken of the fact that [the company] has taken urgent steps to regulate the overall marketing policies of its subsidiaries in the EEC ... [The company] has also conducted an audit of its legal practices in the Community and has issued Codes of Conduct to all its subsidiaries in the EEC which have the authority of the parent company.

"This constructive attitude adopted by the management ... has been taken into account in assessing the amount of the fine. The undertakings concerned have adopted a comprehensive practical detailed and carefully considered antitrust compliance programme, with appropriate legal advice. Such action must be considered a positive step which contributes to an awareness at all levels of the group of the daily impact of competition policy."

In the UK the House of Lords has also indirectly provided support for compliance programmes in a recent restrictive trade practices case. It involved Smiths Concrete, which successfully appealed to the Law Lords against a fine imposed by the Restrictive Trade Practices Court for participating in a price fixing cartel. The Law Lords ruled that the company had taken all reasonable steps to dissuade its staff from entering into unlawful agreements.

A compliance programme should take full account of the industry in which the company operates and be run by in-house or external lawyers who have a good working knowledge of the company's business methods, with assistance from the company's training department.

This gives the lawyers the opportunity to participate in preventative legal measures, and enables commercial managers better to understand the contribution they can make.

It is essential, however, that the programme is understood and endorsed by the company's senior management. Otherwise it may be considered time consuming and even a nuisance, as it lacks any authority or commitment from those who make the key decisions within the organisation.

Such a programme would need proper planning and involve some form of compliance audit to determine the current understanding of competition law within the company and the extent of any non-compliance.

This would be followed by an education programme aimed at creating awareness and an understanding of the reason for the programme among relevant managers and employees. Any offending business practices should be changed.

Even informal arrangements among competitors must be avoided.

Take as an example, a sales managers' conference attended by a number of European companies that all trade in similar products throughout the Community, but only one company that has invested in a competition compliance programme.

At a post-conference social gathering, somebody suggests that their common problems are associated with customers negotiating different prices for the respective products. Another representative agrees and adds that it would be simpler if they could all agree what discounts to offer. A third says they should also agree which parts of the Community would be served by each company.

The representative of the company which has a compliance programme points out that what they are proposing amounts to an illegal price fixing and market sharing cartel and states that he wants nothing to do with it.

Later, however, he mentions the conversation to a colleague at a company which is having considerable difficulty in obtaining any market share owing to price cutting activities by competitors, prompting a complaint to the Office of Fair Trading (OFT) in the UK and the European Commission in Brussels.

An industry investigation would inevitably follow. Some of the companies would be subjected to dawn raids by Commission representatives, followed by a protracted investigation by the two competition authorities, with the likelihood of substantial fines and enforced changes to their business practices.

The company with a compliance programme would also be investigated, but it would be able to avoid any fine by using its compliance programme to demonstrate that it had avoided participation in any anti-competitive practices.

Are there any disadvantages in establishing a competition compliance programme? Such an exercise may cause some resentment among business managers, who could see it as undue interference in their work with no positive benefits.

This can be overcome by senior management endorsement and sensitive training, designed to emphasise the overall value of the programme to the company.

If a company were found to be in breach of competition law, after establishing a compliance programme, the competition authorities could be adversely influenced by the company's failure to meet its own standards. However, the proper implementation of such a programme would be more likely to impress the OFT or the Commission than otherwise, particularly if it is seen as a continuing process which is followed through and reviewed year by year.

Business lawyers and their clients are now realising the benefits of identifying potential problem areas and dealing with them before they become big issues. Competition law compliance programmes are a timely and sensible way of furthering such practices, while endorsing the economic and legal systems which should enable companies to flourish in their chosen fields of business.

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